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HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2018

OF THE CONDITION AND AFFAIRS OF THE

CareFirst BlueChoice, Inc.

NAIC Group Code 0380 (Current) 0380 (Prior) NAIC Company Code 96202 Employer's ID Number 52-1358219

Organized under the Laws of District of Columbia, State of Domicile or Port of Entry DC

Country of Domicile United States of America

Licensed as business type: Health Maintenance Organization

Is HMO Federally Qualified? Yes [ ] No [X]

Incorporated/Organized 06/22/1984 Commenced Business 03/01/1985

Statutory Home Office 840 First Street, NE (Street and Number), Washington, DC, US 20065 (City or Town, State, Country and Zip Code)

Main Administrative Office 10455 Mill Run Circle (Street and Number)

Owings Mills, MD, US 21117 (City or Town, State, Country and Zip Code), 410-581-3000 (Area Code) (Telephone Number)

Mail Address 10455 Mill Run Circle (Street and Number or P.O. Box), Owings Mills, MD, US 21117 (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 10455 Mill Run Circle (Street and Number)

Owings Mills, MD, US 21117 (City or Town, State, Country and Zip Code), 410-998-7011 (Area Code) (Telephone Number)

Internet Website Address www.carefirst.com

Statutory Statement Contact William Vincent Stack (Name), 410-998-7011 (Area Code) (Telephone Number)

bill.stack@carefirst.com (E-mail Address), 410-998-6850 (FAX Number)

OFFICERS

President and Chief Executive Officer	Brian David Pieninck #	Corp. Treasurer & VP	Jeanne Ann Kennedy
Corp. Secretary, Exec. VP & Gen. Counsel	Meryl Davis Burgin		

OTHER

Gregory Mark Chaney, EVP & CFO	Stacia Anne Cohen #, EVP, Medical Affairs	David Jeffrey Corkum, EVP, Large Group SBU
John David Kaercher #, EVP, Chief Information Officer	Rose Vartuhi Megian, EVP, Small and Medium Group SBU	Wanda Kay Oneferu-Bey, EVP, Consumer Direct & Government Programs SBU
Maria Harris Tildon #, EVP, Mktg Comm & Ext Affairs	Jennifer Ann Cryor Baldwin, SVP, Patient Centered Medical Home (PCMH)	Peter Andrew Berry, SVP, Chief Actuary
Stacey Rae Breidenstein #, SVP, Networks Management	Vickie Shennay Cosby #, SVP, Consumer Direct SBU	Sandra Anne Dilworth #, SVP, IT Operations
Andrew James Fitzsimmons #, SVP, Chief Informatics Officer	Melvelyn Melson Greene #, SVP, FEP Local Operations	Jonathan Nahm Kromm #, SVP, Mktg & Comm
Usha Nakhasi, SVP, Gen Mgr SBPASC/FEPOC	Kenneth Patrick Sullivan #, SVP, IT Applications	Michelle Judith Wright, SVP, Human Resources

DIRECTORS OR TRUSTEES

Jeffrey Peter DiLisi #	Wendell Lee Johns	Ann Baldwin Mech
Brian David Pieninck #	John Frederick Reim	

State of Maryland
County of Baltimore SS:

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Brian David Pieninck President and Chief Executive Officer	Meryl Davis Burgin Corp. Secretary, Exec. VP & Gen. Counsel	Jeanne Ann Kennedy Corp. Treasurer & VP

Subscribed and sworn to before me this 25 day of February

Tammy Gholston

a. Is this an original filing? .... Yes [X] No [ ]
b. If no,
1. State the amendment number.........
2. Date filed ....
3. Number of pages attached.............

TAMMY GHOLSTON NOTARY PUBLIC BALTIMORE COUNTY, MD

10-02-2019
My Commission Expires

ASSETS

	Current Year 1 Assets	Current Year 2 Nonadmitted Assets	Current Year 3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1. Bonds (Schedule D)	398,828,410	0	398,828,410	599,114,602
2. Stocks (Schedule D):				
2.1 Preferred stocks	0	0	0	0
2.2 Common stocks	103,798,960	0	103,798,960	128,501,035
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens	0	0	0	0
3.2 Other than first liens	0	0	0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less $ 0 encumbrances)	0	0	0	0
4.2 Properties held for the production of income (less $ 0 encumbrances)	0	0	0	0
4.3 Properties held for sale (less $ 0 encumbrances)	0	0	0	0
5. Cash ($ (50,497,729) , Schedule E - Part 1), cash equivalents ($ 70,424,751 , Schedule E - Part 2) and short-term investments ($ 2,038,456 , Schedule DA)	21,965,478	0	21,965,478	95,197,392
6. Contract loans, (including $ 0 premium notes)	0	0	0	0
7. Derivatives (Schedule DB)	0	0	0	0
8. Other invested assets (Schedule BA)	300,000,000	0	300,000,000	823,246
9. Receivables for securities	0	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL)	0	0	0	0
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	824,592,848	0	824,592,848	823,636,275
13. Title plants less $ 0 charged off (for Title insurers only)	0	0	0	0
14. Investment income due and accrued	3,504,087	0	3,504,087	4,192,828
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	87,769,154	3,437,108	84,332,046	72,800,250
15.2 Deferred premiums and agents' balances and installments booked but deferred and not yet due (including $ 0 earned but unbilled premiums)	0	0	0	0
15.3 Accrued retrospective premiums ($ 0) and contracts subject to redetermination ($ 31,356,033)	31,356,033	0	31,356,033	9,262,303
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers	204,148	0	204,148	5,808,408
16.2 Funds held by or deposited with reinsured companies	0	0	0	0
16.3 Other amounts receivable under reinsurance contracts	425,782	0	425,782	391,633
17. Amounts receivable relating to uninsured plans	0	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0	19,376,352
18.2 Net deferred tax asset	19,360,872	9,403,724	9,957,148	7,447,098
19. Guaranty funds receivable or on deposit	0	0	0	0
20. Electronic data processing equipment and software	0	0	0	0
21. Furniture and equipment, including health care delivery assets ($ 0)	0	0	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0	0
23. Receivables from parent, subsidiaries and affiliates	93,269,127	0	93,269,127	64,702,596
24. Health care ($ 123,577,664) and other amounts receivable	170,654,188	4,486,500	166,167,688	150,515,798
25. Aggregate write-ins for other than invested assets	0	0	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,231,136,239	17,327,332	1,213,808,907	1,158,133,541
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
28. Total (Lines 26 and 27)	1,231,136,239	17,327,332	1,213,808,907	1,158,133,541
DETAILS OF WRITE-INS				
1101.	0	0	0	0
1102.	0	0	0	0
1103.	0	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	0	0	0	0
2501.	0	0	0	0
2502.	0	0	0	0
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	0	0	0	0

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1	2	3	4
		Covered	Uncovered	Total	Total
1.	Claims unpaid (less $ 0 reinsurance ceded)	183,691,583	1,219,021	184,910,604	180,353,707
2.	Accrued medical incentive pool and bonus amounts	0	0	0	0
3.	Unpaid claims adjustment expenses	5,872,330	38,970	5,911,300	6,347,960
4.	Aggregate health policy reserves, including the liability of $ 60,640,000 for medical loss ratio rebate per the Public Health Service Act	143,826,651	0	143,826,651	154,272,458
5.	Aggregate life policy reserves	0	0	0	0
6.	Property/casualty unearned premium reserves	0	0	0	0
7.	Aggregate health claim reserves	0	0	0	0
8.	Premiums received in advance	65,335,295	0	65,335,295	78,592,386
9.	General expenses due or accrued	72,933,918	0	72,933,918	43,052,001
10.1	Current federal and foreign income tax payable and interest thereon (including $ (793,385) on realized capital gains (losses))	925,043	0	925,043	0
10.2	Net deferred tax liability	0	0	0	0
11.	Ceded reinsurance premiums payable	0	0	0	0
12.	Amounts withheld or retained for the account of others	6,353,799	0	6,353,799	5,683,909
13.	Remittances and items not allocated	0	0	0	40,986
14.	Borrowed money (including $ 0 current) and interest thereon $ 0 (including $ 0 current)	0	0	0	0
15.	Amounts due to parent, subsidiaries and affiliates	3,152,033	0	3,152,033	3,012,785
16.	Derivatives	0	0	0	0
17.	Payable for securities	0	0	0	0
18.	Payable for securities lending	0	0	0	0
19.	Funds held under reinsurance treaties (with $ 0 authorized reinsurers, $ 0 unauthorized reinsurers and $ 0 certified reinsurers)	0	0	0	0
20.	Reinsurance in unauthorized and certified ($ 0) companies	0	0	0	0
21.	Net adjustments in assets and liabilities due to foreign exchange rates	0	0	0	0
22.	Liability for amounts held under uninsured plans	0	0	0	7,932,881
23.	Aggregate write-ins for other liabilities (including $ 1,395,074 current)	9,405,086	0	9,405,086	6,230,833
24.	Total liabilities (Lines 1 to 23)	491,495,738	1,257,991	492,753,729	485,519,906
25.	Aggregate write-ins for special surplus funds	XXX	XXX	0	69,000,000
26.	Common capital stock	XXX	XXX	10,000	10,000
27.	Preferred capital stock	XXX	XXX	0	0
28.	Gross paid in and contributed surplus	XXX	XXX	50,615,750	50,615,750
29.	Surplus notes	XXX	XXX	0	0
30.	Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
31.	Unassigned funds (surplus)	XXX	XXX	670,429,428	552,987,885
32.	Less treasury stock, at cost:				
	32.1 0 shares common (value included in Line 26 $ 0)	XXX	XXX	0	0
	32.2 0 shares preferred (value included in Line 27 $ 0)	XXX	XXX	0	0
33.	Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	721,055,178	672,613,635
34.	Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	1,213,808,907	1,158,133,541
	DETAILS OF WRITE-INS				
2301.	Reinsurance Payable	278,322	0	278,322	306,275
2302.	Amounts Held for Escheatment to State	1,841,557	0	1,841,557	2,158,221
2303.	Contingent Liability Reserve	1,116,752	0	1,116,752	0
2398.	Summary of remaining write-ins for Line 23 from overflow page	6,168,455	0	6,168,455	3,766,337
2399.	Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	9,405,086	0	9,405,086	6,230,833
2501.	Special Surplus 2018 Health Insurer Fee	XXX	XXX	0	69,000,000
2502.		XXX	XXX	0	0
2503.		XXX	XXX	0	0
2598.	Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599.	Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	XXX	XXX	0	69,000,000
3001.		XXX	XXX	0	0
3002.		XXX	XXX	0	0
3003.		XXX	XXX	0	0
3098.	Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099.	Totals (Lines 3001 thru 3003 plus 3098)(Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	XXX	7,653,064	7,964,517
2.	Net premium income (including $ 0 non-health premium income)	XXX	3,664,646,716	3,338,835,931
3.	Change in unearned premium reserves and reserve for rate credits	XXX	(47,205,972)	(93,276,067)
4.	Fee-for-service (net of $ 0 medical expenses)	XXX	0	0
5.	Risk revenue	XXX	0	0
6.	Aggregate write-ins for other health care related revenues	XXX	3,041,121	2,977,905
7.	Aggregate write-ins for other non-health revenues	XXX	0	0
8.	Total revenues (Lines 2 to 7)	XXX	3,620,481,865	3,248,537,769
	Hospital and Medical:			
9.	Hospital/medical benefits	10,669,538	1,857,982,753	1,771,426,336
10.	Other professional services	0	182,086,156	166,672,013
11.	Outside referrals	7,094,735	7,094,735	5,149,959
12.	Emergency room and out-of-area	501,593	76,714,849	70,923,826
13.	Prescription drugs	0	646,831,299	636,969,491
14.	Aggregate write-ins for other hospital and medical	0	0	0
15.	Incentive pool, withhold adjustments and bonus amounts	0	0	0
16.	Subtotal (Lines 9 to 15)	18,265,866	2,770,709,792	2,651,141,625
	Less:			
17.	Net reinsurance recoveries	0	(4,201,367)	(5,599,364)
18.	Total hospital and medical (Lines 16 minus 17)	18,265,866	2,774,911,159	2,656,740,989
19.	Non-health claims (net)	0	0	0
20.	Claims adjustment expenses, including $ 68,883,835 cost containment expenses	0	169,616,831	174,845,511
21.	General administrative expenses	0	590,501,053	499,462,947
22.	Increase in reserves for life and accident and health contracts (including $ 0 increase in reserves for life only)	0	0	0
23.	Total underwriting deductions (Lines 18 through 22)	18,265,866	3,535,029,043	3,331,049,447
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	85,452,822	(82,511,678)
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)	0	24,335,476	21,944,950
26.	Net realized capital gains (losses) less capital gains tax of $ (793,385)	0	(2,984,639)	11,455,524
27.	Net investment gains (losses) (Lines 25 plus 26)	0	21,350,837	33,400,474
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered $ 0) (amount charged off $ 0)]	0	0	0
29.	Aggregate write-ins for other income or expenses	0	58,934	(8,222)
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	106,862,593	(49,119,426)
31.	Federal and foreign income taxes incurred	XXX	42,945,666	(21,298,638)
32.	Net income (loss) (Lines 30 minus 31)	XXX	63,916,927	(27,820,788)
	DETAILS OF WRITE-INS			
0601.	TDN Access Fees	XXX	659	5,110
0602.	FEHBP OPMHMO Incentive	XXX	3,040,462	2,972,795
0603		XXX	0	0
0698.	Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699.	Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above)	XXX	3,041,121	2,977,905
0701.		XXX	0	0
0702.		XXX	0	0
0703		XXX	0	0
0798.	Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799.	Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above)	XXX	0	0
1401.		0	0	0
1402.		0	0	0
1403.		0	0	0
1498.	Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499.	Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)	0	0	0
2901.	Other Miscellaneous Income	0	82,114	137,820
2902.	Regulatory Fines and Fees	0	(23,180)	(146,042)
2903		0	0	0
2998.	Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999.	Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above)	0	58,934	(8,222)

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1 Current Year	2 Prior Year
	CAPITAL AND SURPLUS ACCOUNT		
33.	Capital and surplus prior reporting year	672,613,635	697,523,016
34.	Net income or (loss) from Line 32	63,916,927	(27,820,788)
35.	Change in valuation basis of aggregate policy and claim reserves	0	0
36.	Change in net unrealized capital gains (losses) less capital gains tax of $ (4,448,698)	(16,733,609)	3,009,767
37.	Change in net unrealized foreign exchange capital gain or (loss)	0	0
38.	Change in net deferred income tax	6,982,966	(9,589,783)
39.	Change in nonadmitted assets	(5,724,741)	9,491,423
40	Change in unauthorized and certified reinsurance	0	0
41.	Change in treasury stock	0	0
42.	Change in surplus notes	0	0
43.	Cumulative effect of changes in accounting principles	0	0
44.	Capital Changes:		
	44.1 Paid in	0	0
	44.2 Transferred from surplus (Stock Dividend)	0	0
	44.3 Transferred to surplus	0	0
45.	Surplus adjustments:		
	45.1 Paid in	0	0
	45.2 Transferred to capital (Stock Dividend)	0	0
	45.3 Transferred from capital	0	0
46.	Dividends to stockholders	0	0
47.	Aggregate write-ins for gains or (losses) in surplus	0	0
48.	Net change in capital and surplus (Lines 34 to 47)	48,441,543	(24,909,381)
49.	Capital and surplus end of reporting period (Line 33 plus 48)	721,055,178	672,613,635
	DETAILS OF WRITE-INS		
4701.			
4702.			
4703.			
4798.	Summary of remaining write-ins for Line 47 from overflow page	0	0
4799.	Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)	0	0

CASH FLOW

		1 Current Year	2 Prior Year
	Cash from Operations		
1.	Premiums collected net of reinsurance	3,568,007,186	3,265,419,717
2.	Net investment income	25,503,468	25,144,126
3.	Miscellaneous income	3,041,121	2,977,905
4.	Total (Lines 1 through 3)	3,596,551,775	3,293,541,748
5.	Benefit and loss related payments	2,785,161,987	2,596,286,861
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
7.	Commissions, expenses paid and aggregate write-ins for deductions	738,546,574	667,406,533
8.	Dividends paid to policyholders	0	0
9.	Federal and foreign income taxes paid (recovered) net of $ (793,385) tax on capital gains (losses)	21,850,886	(20,863,545)
10.	Total (Lines 5 through 9)	3,545,559,447	3,242,829,849
11.	Net cash from operations (Line 4 minus Line 10)	50,992,328	50,711,899
	Cash from Investments		
12.	Proceeds from investments sold, matured or repaid:		
	12.1 Bonds	672,635,963	915,531,416
	12.2 Stocks	61,027,471	93,600,000
	12.3 Mortgage loans	0	0
	12.4 Real estate	0	0
	12.5 Other invested assets	845,479	0
	12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	(11,852)	0
	12.7 Miscellaneous proceeds	0	700,000
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	734,497,061	1,009,831,416
13.	Cost of investments acquired (long-term only):		
	13.1 Bonds	697,568,846	911,493,742
	13.2 Stocks	101,382,582	62,624,700
	13.3 Mortgage loans	0	0
	13.4 Real estate	0	0
	13.5 Other invested assets	35,173,682	0
	13.6 Miscellaneous applications	0	0
	13.7 Total investments acquired (Lines 13.1 to 13.6)	834,125,110	974,118,442
14.	Net increase (decrease) in contract loans and premium notes	0	0
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(99,628,049)	35,712,974
	Cash from Financing and Miscellaneous Sources		
16.	Cash provided (applied):		
	16.1 Surplus notes, capital notes	0	0
	16.2 Capital and paid in surplus, less treasury stock	0	0
	16.3 Borrowed funds	0	0
	16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
	16.5 Dividends to stockholders	0	0
	16.6 Other cash provided (applied)	(24,596,193)	1,995,779
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(24,596,193)	1,995,779
	RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(73,231,914)	88,420,652
19.	Cash, cash equivalents and short-term investments:		
	19.1 Beginning of year	95,197,392	6,776,740
	19.2 End of year (Line 18 plus Line 19.1)	21,965,478	95,197,392

Note: Supplemental disclosures of cash flow information for non-cash transactions:

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Net premium income	3,664,646,716	3,239,507,057	0	4,398,813	92,517	420,648,329	0	0	0	0
2. Change in unearned premium reserves and reserve for rate credit	(47,205,972)	(53,111,779)	0	0	0	5,905,807	0	0	0	0
3. Fee-for-service (net of $ 0 medical expenses)	0	0	0	0	0	0	0	0	0	XXX
4. Risk revenue	0	0	0	0	0	0	0	0	0	XXX
5. Aggregate write-ins for other health care related revenues	3,041,121	0	0	659	0	3,040,462	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	3,620,481,865	3,186,395,278	0	4,399,472	92,517	429,594,598	0	0	0	0
8. Hospital/medical benefits	1,857,982,753	1,603,830,997	0	0	0	254,151,756	0	0	0	XXX
9. Other professional services	182,086,156	156,592,408	0	449,481	229,785	24,814,482	0	0	0	XXX
10. Outside referrals	7,094,735	6,124,253	0	0	0	970,482	0	0	0	XXX
11. Emergency room and out-of-area	76,714,849	66,221,095	0	0	0	10,493,754	0	0	0	XXX
12. Prescription drugs	646,831,299	546,167,233	0	0	0	100,664,066	0	0	0	XXX
13. Aggregate write-ins for other hospital and medical	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	0	0	0	0	0	0	0	0	0	XXX
15. Subtotal (Lines 8 to 14)	2,770,709,792	2,378,935,986	0	449,481	229,785	391,094,540	0	0	0	XXX
16. Net reinsurance recoveries	(4,201,367)	20	0	(4,201,387)	0	0	0	0	0	XXX
17. Total medical and hospital (Lines 15 minus 16)	2,774,911,159	2,378,935,966	0	4,650,868	229,785	391,094,540	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including $ 68,883,834 cost containment expenses	169,616,830	153,788,504	0	1,135,848	111,579	14,580,899	0	0	0	0
20. General administrative expenses	590,501,052	563,270,005	0	3,136,147	1,808,983	22,285,917	0	0	0	0
21. Increase in reserves for accident and health contracts	0	0	0	0	0	0	0	0	0	XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
23. Total underwriting deductions (Lines 17 to 22)	3,535,029,041	3,095,994,475	0	8,922,863	2,150,347	427,961,356	0	0	0	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	85,452,824	90,400,803	0	(4,523,391)	(2,057,830)	1,633,242	0	0	0	0
DETAILS OF WRITE-INS										
0501. FEHBP OPMHMO Incentive	3,040,462	0	0	0	0	3,040,462	0	0	0	XXX
0502. TDN Access Fees	659	0	0	659	0	0	0	0	0	XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	3,041,121	0	0	659	0	3,040,462	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)	3,239,532,057	0	25,000	3,239,507,057
2. Medicare Supplement	0	0	0	0
3. Dental only	710,060	3,688,753	0	4,398,813
4. Vision only	92,517	0	0	92,517
5. Federal Employees Health Benefits Plan	420,648,329	0	0	420,648,329
6. Title XVIII - Medicare	0	0	0	0
7. Title XIX - Medicaid	0	0	0	0
8. Other health	0	0	0	0
9. Health subtotal (Lines 1 through 8)	3,660,982,963	3,688,753	25,000	3,664,646,716
10. Life	0	0	0	0
11. Property/casualty	0	0	0	0
12. Totals (Lines 9 to 11)	3,660,982,963	3,688,753	25,000	3,664,646,716

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Payments during the year:										
1.1 Direct	2,853,380,409	2,463,701,552	0	436,401	229,785	389,012,671	0	0	0	0
1.2 Reinsurance assumed	4,173,667	0	0	4,173,667	0	0	0	0	0	0
1.3 Reinsurance ceded	5,604,280	5,604,280	0	0	0	0	0	0	0	0
1.4 Net	2,851,949,796	2,458,097,272	0	4,610,068	229,785	389,012,671	0	0	0	0
2. Paid medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	184,594,503	161,948,559	0	40,334	0	22,605,610	0	0	0	0
3.2 Reinsurance assumed	316,100	0	0	316,100	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4 Net	184,910,603	161,948,559	0	356,434	0	22,605,610	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0	0	0	0	0	0	0	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	0	0	0	0	0	0	0	0	0	0
6. Net healthcare receivables (a)	87,199,793	87,199,793	0	0	0	0	0	0	0	0
7. Amounts recoverable from reinsurers December 31, current year	204,148	204,148	0	0	0	0	0	0	0	0
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	180,065,327	159,514,332	0	27,254	0	20,523,741	0	0	0	0
8.2 Reinsurance assumed	288,380	0	0	288,380	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
8.4 Net	180,353,707	159,514,332	0	315,634	0	20,523,741	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	0	0	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	5,808,408	5,808,408	0	0	0	0	0	0	0	0
12. Incurred Benefits:										
12.1 Direct	2,770,709,792	2,378,935,986	0	449,481	229,785	391,094,540	0	0	0	0
12.2 Reinsurance assumed	4,201,387	0	0	4,201,387	0	0	0	0	0	0
12.3 Reinsurance ceded	20	20	0	0	0	0	0	0	0	0
12.4 Net	2,774,911,159	2,378,935,966	0	4,650,868	229,785	391,094,540	0	0	0	0
13. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0

(a) Excludes $ 40,662,400 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct	16,752,996	13,420,531	0	0	0	3,332,465	0	0	0	0
1.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
1.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
1.4 Net	16,752,996	13,420,531	0	0	0	3,332,465	0	0	0	0
2. Incurred but Unreported:										
2.1 Direct	167,841,507	148,528,028	0	40,334	0	19,273,145	0	0	0	0
2.2 Reinsurance assumed	316,100	0	0	316,100	0	0	0	0	0	0
2.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
2.4 Net	168,157,607	148,528,028	0	356,434	0	19,273,145	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct	0	0	0	0	0	0	0	0	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4 Net	0	0	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1 Direct	184,594,503	161,948,559	0	40,334	0	22,605,610	0	0	0	0
4.2 Reinsurance assumed	316,100	0	0	316,100	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	184,910,603	161,948,559	0	356,434	0	22,605,610	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1	2	3	4		
Line of Business	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year	Claims Incurred In Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	138,743,545	2,324,957,987	795,638	161,152,921	139,539,183	159,514,331
2. Medicare Supplement	0	0	0	0	0	0
3. Dental Only	341,450	4,268,617	1,084	355,350	342,534	315,634
4. Vision Only	0	229,785	0	0	0	0
5. Federal Employees Health Benefits Plan	20,857,157	368,155,514	74,588	22,531,023	20,931,745	20,523,741
6. Title XVIII - Medicare	0	0	0	0	0	0
7 Title XIX - Medicaid	0	0	0	0	0	0
8. Other health	0	0	0	0	0	0
9. Health subtotal (Lines 1 to 8)	159,942,152	2,697,611,903	871,310	184,039,294	160,813,462	180,353,706
10. Healthcare receivables (a)	0	87,199,793	0	0	0	0
11. Other non-health	0	0	0	0	0	0
12. Medical incentive pools and bonus amounts	0	0	0	0	0	0
13. Totals (Lines 9 - 10 + 11 + 12)	159,942,152	2,610,412,110	871,310	184,039,294	160,813,462	180,353,706

(a) Excludes $ 40,662,400 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
($000 Omitted)

Section A - Paid Health Claims - Comprehensive (Hospital & Medical)

	Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
		1 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	106,832	107,410	106,248	105,694	105,493
2.	2014	1,689,117	1,826,622	1,827,327	1,826,819	1,826,633
3.	2015	XXX	1,845,865	1,987,172	1,986,935	1,986,827
4.	2016	XXX	XXX	1,949,629	2,076,820	2,077,223
5.	2017	XXX	XXX	XXX	2,142,547	2,281,384
6.	2018	XXX	XXX	XXX	XXX	2,237,758

Section B - Incurred Health Claims - Comprehensive (Hospital & Medical)

	Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2014	2 2015	3 2016	4 2017	5 2018
1.	Prior	107,915	107,410	106,248	105,694	105,493
2.	2014	1,847,295	1,827,617	1,827,348	1,826,819	1,826,633
3.	2015	XXX	1,995,484	1,988,585	1,987,182	1,986,827
4.	2016	XXX	XXX	2,100,425	2,078,830	2,077,248
5.	2017	XXX	XXX	XXX	2,299,804	2,282,154
6.	2018	XXX	XXX	XXX	XXX	2,398,911

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Comprehensive (Hospital & Medical)

	Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1.	2014	2,395,189	1,826,633	109,329	6.0	1,935,962	80.8	0	0	1,935,962	80.8
2.	2015	2,634,111	1,986,827	137,772	6.9	2,124,599	80.7	0	0	2,124,599	80.7
3.	2016	2,711,637	2,077,223	142,940	6.9	2,220,163	81.9	25	1	2,220,189	81.9
4.	2017	2,837,699	2,281,384	154,766	6.8	2,436,150	85.8	771	25	2,436,946	85.9
5.	2018	3,186,395	2,237,758	145,283	6.5	2,383,041	74.8	161,153	5,334	2,549,528	80.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
($000 Omitted)

Section A - Paid Health Claims - Dental Only

	Cumulative Net Amounts Paid				
Year in Which Losses Were Incurred	1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	670	675	676	676	677
2. 2014	7,712	8,048	8,055	8,057	8,057
3. 2015	XXX	4,781	5,110	5,115	5,117
4. 2016	XXX	XXX	3,995	4,465	4,469
5. 2017	XXX	XXX	XXX	4,094	4,430
6. 2018	XXX	XXX	XXX	XXX	4,269

Section B - Incurred Health Claims - Dental Only

	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
Year in Which Losses Were Incurred	1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	671	675	676	676	677
2. 2014	8,200	8,057	8,055	8,057	8,057
3. 2015	XXX	5,192	5,111	5,115	5,117
4. 2016	XXX	XXX	4,434	4,466	4,469
5. 2017	XXX	XXX	XXX	4,409	4,431
6. 2018	XXX	XXX	XXX	XXX	4,624

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Dental Only

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2014	9,781	8,057	1,807	22.4	9,864	100.8	0	0	9,864	100.8
2. 2015	5,525	5,117	1,464	28.6	6,581	119.1	0	0	6,581	119.1
3. 2016	4,769	4,469	958	21.4	5,427	113.8	0	0	5,427	113.8
4. 2017	4,717	4,430	5,449	123.0	9,879	209.4	1	0	9,880	209.5
5. 2018	4,399	4,269	1,073	25.1	5,342	121.4	355	39	5,736	130.4

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

($000 Omitted)

Section A - Paid Health Claims - Vision Only

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	0	0	0	0	0
2. 2014	315	315	315	315	315
3. 2015	XXX	172	172	172	172
4. 2016	XXX	XXX	131	131	131
5. 2017	XXX	XXX	XXX	99	99
6. 2018	XXX	XXX	XXX	XXX	230

Section B - Incurred Health Claims - Vision Only

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	0	0	0	0	0
2. 2014	315	315	315	315	315
3. 2015	XXX	172	172	172	172
4. 2016	XXX	XXX	131	131	131
5. 2017	XXX	XXX	XXX	99	99
6. 2018	XXX	XXX	XXX	XXX	230

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Vision Only

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2014	407	315	270	85.7	585	143.7	0	0	585	143.7
2. 2015	223	172	6	3.5	178	79.8	0	0	178	79.8
3. 2016	170	131	191	145.8	322	189.4	0	0	322	189.4
4. 2017	127	99	119	120.2	218	171.7	0	0	218	171.7
5. 2018	93	230	105	45.7	335	360.2	0	4	339	364.5

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

($000 Omitted)

Section A - Paid Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	16,189	15,946	15,714	15,696	15,669
2. 2014	244,227	262,171	262,158	262,075	262,053
3. 2015	XXX	291,344	309,259	309,114	309,034
4. 2016	XXX	XXX	327,528	347,334	347,003
5. 2017	XXX	XXX	XXX	356,920	378,236
6. 2018	XXX	XXX	XXX	XXX	368,156

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2014	2 2015	3 2016	4 2017	5 2018
1. Prior	16,260	15,946	15,714	15,696	15,669
2. 2014	262,802	262,318	262,159	262,075	262,053
3. 2015	XXX	309,674	309,331	309,114	309,034
4. 2016	XXX	XXX	347,986	347,400	347,004
5. 2017	XXX	XXX	XXX	377,378	378,310
6. 2018	XXX	XXX	XXX	XXX	390,687

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Federal Employees Health Benefits Plan Premium

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2014	292,836	262,053	10,777	4.1	272,830	93.2	0	0	272,830	93.2
2. 2015	344,336	309,034	12,705	4.1	321,739	93.4	0	0	321,739	93.4
3. 2016	383,876	347,003	13,650	3.9	360,653	94.0	1	0	360,654	94.0
4. 2017	403,017	378,236	14,814	3.9	393,050	97.5	74	2	393,126	97.5
5. 2018	426,554	368,156	13,774	3.7	381,930	89.5	22,531	506	404,967	94.9

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

($000 Omitted)

Section A - Paid Health Claims - Grand Total

		Cumulative Net Amounts Paid				
		1	2	3	4	5
	Year in Which Losses Were Incurred	2014	2015	2016	2017	2018
1.	Prior	123,691	124,031	122,638	122,066	121,839
2.	2014	1,941,371	2,097,156	2,097,855	2,097,266	2,097,058
3.	2015	XXX	2,142,162	2,301,713	2,301,336	2,301,150
4.	2016	XXX	XXX	2,281,283	2,428,750	2,428,826
5.	2017	XXX	XXX	XXX	2,503,660	2,664,149
6.	2018	XXX	XXX	XXX	XXX	2,610,413

Section B - Incurred Health Claims - Grand Total

		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1	2	3	4	5
	Year in Which Losses Were Incurred	2014	2015	2016	2017	2018
1.	Prior	124,846	124,031	122,638	122,066	121,839
2.	2014	2,118,612	2,098,307	2,097,877	2,097,266	2,097,058
3.	2015	XXX	2,310,522	2,303,199	2,301,583	2,301,150
4.	2016	XXX	XXX	2,452,976	2,430,827	2,428,852
5.	2017	XXX	XXX	XXX	2,681,690	2,664,994
6.	2018	XXX	XXX	XXX	XXX	2,794,452

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

	Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1.	2014	2,698,213	2,097,058	122,183	5.8	2,219,241	82.2	0	0	2,219,241	82.2
2.	2015	2,984,195	2,301,150	151,947	6.6	2,453,097	82.2	0	0	2,453,097	82.2
3.	2016	3,100,452	2,428,826	157,739	6.5	2,586,565	83.4	26	1	2,586,592	83.4
4.	2017	3,245,560	2,664,149	175,148	6.6	2,839,297	87.5	846	27	2,840,170	87.5
5.	2018	3,617,441	2,610,413	160,235	6.1	2,770,648	76.6	184,039	5,883	2,960,570	81.8

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
1. Unearned premium reserves	0	0	0	0	0	0	0	0	0
2. Additional policy reserves (a)	0	0	0	0	0	0	0	0	0
3. Reserve for future contingent benefits	0	0	0	0	0	0	0	0	0
4. Reserve for rate credits or experience rating refunds (including $ 0) for investment income	102,976,651	60,640,000	0	0	0	42,336,651	0	0	0
5. Aggregate write-ins for other policy reserves	40,850,000	40,850,000	0	0	0	0	0	0	0
6. Totals (gross)	143,826,651	101,490,000	0	0	0	42,336,651	0	0	0
7. Reinsurance ceded	0	0	0	0	0	0	0	0	0
8. Totals (Net)(Page 3, Line 4)	143,826,651	101,490,000	0	0	0	42,336,651	0	0	0
9. Present value of amounts not yet due on claims	0	0	0	0	0	0	0	0	0
10. Reserve for future contingent benefits	0	0	0	0	0	0	0	0	0
11. Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0
12. Totals (gross)	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded	0	0	0	0	0	0	0	0	0
14. Totals (Net)(Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501. Risk adjustment payable	40,850,000	40,850,000	0	0	0	0	0	0	0
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	40,850,000	40,850,000	0	0	0	0	0	0	0
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes $ 0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses 1 Cost Containment Expenses	Claim Adjustment Expenses 2 Other Claim Adjustment Expenses	3 General Administrative Expenses	4 Investment Expenses	5 Total
1. Rent ($ 0 for occupancy of own building)	1,791,450	4,802,733	12,037,944	0	18,632,127
2. Salary, wages and other benefits	16,873,574	40,985,463	113,225,898	0	171,084,935
3. Commissions (less $ 0 ceded plus $ 0 assumed)	0	0	142,211,557	0	142,211,557
4. Legal fees and expenses	0	0	2,175,174	0	2,175,174
5. Certifications and accreditation fees	0	0	0	0	0
6. Auditing, actuarial and other consulting services	33,000	12,523	7,560,686	0	7,606,209
7. Traveling expenses	293,585	544,961	2,636,704	0	3,475,250
8. Marketing and advertising	0	0	1,589,169	0	1,589,169
9. Postage, express and telephone	177,889	2,033,226	4,395,707	0	6,606,822
10. Printing and office supplies	106,866	1,135,519	2,008,862	0	3,251,247
11. Occupancy, depreciation and amortization	0	0	0	0	0
12. Equipment	17,918	66,650	1,125,772	0	1,210,340
13. Cost or depreciation of EDP equipment and software	695,859	6,524,879	71,485,356	0	78,706,094
14. Outsourced services including EDP, claims, and other services	42,791,074	19,267,632	57,007,969	0	119,066,675
15. Boards, bureaus and association fees	73,926	37,711	2,187,288	0	2,298,925
16. Insurance, except on real estate	123,056	439,379	804,662	0	1,367,097
17. Collection and bank service charges	0	0	383,195	0	383,195
18. Group service and administration fees	0	0	0	0	0
19. Reimbursements by uninsured plans	0	0	0	0	0
20. Reimbursements from fiscal intermediaries	0	0	0	0	0
21. Real estate expenses	0	0	0	0	0
22. Real estate taxes	0	0	243,036	0	243,036
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes	0	0	0	0	0
23.2 State premium taxes	0	0	55,222,911	0	55,222,911
23.3 Regulatory authority licenses and fees	10,071	0	4,903,032	0	4,913,103
23.4 Payroll taxes	996,090	2,664,537	5,876,892	0	9,537,519
23.5 Other (excluding federal income and real estate taxes)	4,189	24,609	72,211,758	0	72,240,556
24. Investment expenses not included elsewhere	0	0	0	659,541	659,541
25. Aggregate write-ins for expenses	4,895,288	22,193,174	31,207,481	0	58,295,943
26. Total expenses incurred (Lines 1 to 25)	68,883,835	100,732,996	590,501,053	659,541	(a) 760,777,425
27. Less expenses unpaid December 31, current year	0	5,911,300	79,102,373	0	85,013,673
28. Add expenses unpaid December 31, prior year	0	6,347,960	46,801,671	0	53,149,631
29. Amounts receivable relating to uninsured plans, prior year	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year	0	0	0	0	0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	68,883,835	101,169,656	558,200,351	659,541	728,913,383
DETAILS OF WRITE-INS					
2501. Charitable contributions	578	1,088	753,599	0	755,265
2502. Service charges INter-plan bank	(1)	1,498,645	(74,371)	0	1,424,273
2503. IPSBB Inter-plan bank ITS	0	4,544,010	0	0	4,544,010
2598. Summary of remaining write-ins for Line 25 from overflow page	4,894,711	16,149,431	30,528,253	0	51,572,395
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	4,895,288	22,193,174	31,207,481	0	58,295,943

(a) Includes management fees of $ 379,809,946 to affiliates and $ 0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. government bonds	(a) 3,620,746	3,491,397
1.1	Bonds exempt from U.S. tax	(a) 0	0
1.2	Other bonds (unaffiliated)	(a) 15,466,213	14,081,019
1.3	Bonds of affiliates	(a) 0	0
2.1	Preferred stocks (unaffiliated)	(b) 0	0
2.11	Preferred stocks of affiliates	(b) 0	0
2.2	Common stocks (unaffiliated)	3,284,742	3,284,742
2.21	Common stocks of affiliates	0	0
3.	Mortgage loans	(c) 0	0
4.	Real estate	(d) 0	0
5	Contract Loans	0	0
6	Cash, cash equivalents and short-term investments	(e) 3,306,628	3,372,425
7	Derivative instruments	(f) 0	0
8.	Other invested assets	13,300	765,434
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	25,691,629	24,995,017
11.	Investment expenses		(g) 659,541
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g) 0
13.	Interest expense		(h) 0
14.	Depreciation on real estate and other invested assets		(i) 0
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		659,541
17.	Net investment income (Line 10 minus Line 16)		24,335,476
	DETAILS OF WRITE-INS		
0901.			
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above)		0

(a) Includes $ 425,734 accrual of discount less $ 2,270,554 amortization of premium and less $ 3,218,013 paid for accrued interest on purchases.

(b) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued dividends on purchases.

(c) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ 0 paid for accrued interest on purchases.

(d) Includes $ 0 for company's occupancy of its own buildings; and excludes $ 0 interest on encumbrances.

(e) Includes $ 68,702 accrual of discount less $ 20,892 amortization of premium and less $ 49,652 paid for accrued interest on purchases.

(f) Includes $ 0 accrual of discount less $ 0 amortization of premium.

(g) Includes $. 0 investment expenses and $ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.

(h) Includes $ 0 interest on surplus notes and $ 0 interest on capital notes.

(i) Includes $ 0 depreciation on real estate and $ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	(4,343,136)	0	(4,343,136)	0	0
1.1	Bonds exempt from U.S. tax	0	0	0	0	0
1.2	Other bonds (unaffiliated)	(5,778,603)	0	(5,778,603)	0	0
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	0	0	0	0	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	6,333,342	0	6,333,342	(21,184,268)	0
2.21	Common stocks of affiliates	0	0	0	1,967	0
3.	Mortgage loans	0	0	0	0	0
4.	Real estate	0	0	0	0	0
5.	Contract loans	0	0	0	0	0
6.	Cash, cash equivalents and short-term investments	(11,852)	0	(11,852)	0	0
7.	Derivative instruments	0	0	0	0	0
8.	Other invested assets	22,229	0	22,229	0	0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	(3,778,020)	0	(3,778,020)	(21,182,301)	0
	DETAILS OF WRITE-INS					
0901.						
0902.						
0903.						
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0	0	0	0

EXHIBIT OF NON-ADMITTED ASSETS

		1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D)	0	0	0
2.	Stocks (Schedule D):			
	2.1 Preferred stocks	0	0	0
	2.2 Common stocks	0	0	0
3.	Mortgage loans on real estate (Schedule B):			
	3.1 First liens	0	0	0
	3.2 Other than first liens	0	0	0
4.	Real estate (Schedule A):			
	4.1 Properties occupied by the company	0	0	0
	4.2 Properties held for the production of income	0	0	0
	4.3 Properties held for sale	0	0	0
5.	Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)	0	0	0
6.	Contract loans	0	0	0
7.	Derivatives (Schedule DB)	0	0	0
8.	Other invested assets (Schedule BA)	0	0	0
9.	Receivables for securities	0	0	0
10.	Securities lending reinvested collateral assets (Schedule DL)	0	0	0
11.	Aggregate write-ins for invested assets	0	0	0
12.	Subtotals, cash and invested assets (Lines 1 to 11)	0	0	0
13.	Title plants (for Title insurers only)	0	0	0
14.	Investment income due and accrued	0	0	0
15.	Premiums and considerations:			
	15.1 Uncollected premiums and agents' balances in the course of collection	3,437,108	5,460,316	2,023,208
	15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	0	0	0
	15.3 Accrued retrospective premiums and contracts subject to redetermination	0	0	0
16.	Reinsurance:			
	16.1 Amounts recoverable from reinsurers	0	0	0
	16.2 Funds held by or deposited with reinsured companies	0	0	0
	16.3 Other amounts receivable under reinsurance contracts	0	0	0
17.	Amounts receivable relating to uninsured plans	0	0	0
18.1	Current federal and foreign income tax recoverable and interest thereon	0	0	0
18.2	Net deferred tax asset	9,403,724	482,110	(8,921,614)
19.	Guaranty funds receivable or on deposit	0	0	0
20.	Electronic data processing equipment and software	0	0	0
21.	Furniture and equipment, including health care delivery assets	0	0	0
22.	Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
23.	Receivable from parent, subsidiaries and affiliates	0	0	0
24.	Health care and other amounts receivable	4,486,500	5,660,165	1,173,665
25.	Aggregate write-ins for other than invested assets	0	0	0
26.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	17,327,332	11,602,591	(5,724,741)
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
28.	Total (Lines 26 and 27)	17,327,332	11,602,591	(5,724,741)
	DETAILS OF WRITE-INS			
1101.		0	0	0
1102.		0	0	0
1103.		0	0	0
1198.	Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199.	Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	0	0	0
2501.		0	0	0
2502.		0	0	0
2503.				
2598.	Summary of remaining write-ins for Line 25 from overflow page	0	0	0
2599.	Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	0	0	0

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

	Total Members at End of					6
Source of Enrollment	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1. Health Maintenance Organizations	360,604	376,028	366,875	361,130	356,378	4,426,215
2. Provider Service Organizations	0	0	0	0	0	0
3. Preferred Provider Organizations	0	0	4	4	4	36
4. Point of Service	295,366	266,348	268,292	269,612	273,449	3,219,665
5. Indemnity Only	678	629	648	624	407	7,148
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	656,648	643,005	635,819	631,370	630,238	7,653,064
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

The financial statements of CareFirst BlueChoice, Inc. (CFBC or the Company) are presented on the basis of accounting practices prescribed or permitted by the District of Columbia Department of Insurance, Securities, and Banking (DISB).

The DISB recognizes only statutory accounting practices prescribed or permitted by the District of Columbia for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the District of Columbia Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the District of Columbia. The Company does not utilize any permitted practices.

For the years ended December 31, 2018 and 2017, there were no differences in net income (loss) and surplus between NAIC SAP and practices prescribed by the District of Columbia.

		F/S	F/S	*(in thousands)*	
NET INCOME (LOSS)	SSAP #	Page	Line #	**2018**	**2017**
(1) State basis (Page 4, Line 32, Columns 2 & 3)	XXX	XXX	XXX	**$ 63,917**	$ (27,821)
(2) State Prescribed Practices that are an increase/(decrease) from NAIC SAP				**-**	-
(3) State Permitted Practices that are an increase/(decrease) from NAIC SAP				**-**	-
(4) NAIC SAP (1-2-3=4)	XXX	XXX	XXX	**$ 63,917**	$ (27,821)
SURPLUS					
(5) State basis (Page 3, Line 33, Columns 3&4)	XXX	XXX	XXX	**$ 721,055**	$ 672,614
(2) State Prescribed Practices that are an increase/(decrease) from NAIC SAP				**-**	-
(3) State Permitted Practices that are an increase/(decrease) from NAIC SAP				**-**	-
(8) NAIC SAP (5-6-7=8)	XXX	XXX	XXX	**$ 721,055**	$ 672,614

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts in the accompanying statutory-basis financial statements and disclosures. Actual results could differ from those estimates.

C. Accounting Policy

(1) – (6)

Investment securities are carried in accordance with valuation criteria established by the NAIC, i.e. stocks (other than investments in subsidiaries) are carried at fair value and bonds at amortized cost. Adjustments reflecting the revaluation of stocks at the statement date are charged to unassigned funds (surplus), unless the adjustments are losses deemed to be other than temporary.

The Company periodically performs evaluations, on a lot-by-lot and security-by-security basis, of its investment holdings to evaluate whether any declines in the fair value of investments are other than temporary. This evaluation consists of a review of several factors, including but not limited to: length of time and extent that a security has been in an unrealized loss position; the existence of an event that would impair the issuer’s future earnings potential; the near term prospects for recovery of the fair value of a security; and the intent and ability of the Company to hold the security until the fair value recovers. These reviews were conducted pursuant to the applicable Statements of Statutory Accounting Principles (SSAPs).

For equity securities and non mortgage-backed/asset-backed securities, the Company considers the various factors described above, including its intent and ability to hold the security for a period of time sufficient to recover its cost. When the Company lacks the intent or ability, the security’s decline in fair value is deemed to be other than temporary and the entire difference between fair value and cost is recognized in investment income, net.

For mortgage-backed and asset-backed securities, the Company applies SSAP No. 43R *Loan-backed and Structured Securities.* Accordingly, any non-interest related impairment related to mortgage-backed and asset-backed securities that the Company does not intend to sell and has the intent and ability to retain until recovery is recognized in investment income, net, with the interest related impairment recognized in capital and surplus.

For mortgage-backed and asset-backed securities where the fair value is less than amortized cost, and that are deemed to have interest related declines, the Company has asserted that it has the intent and ability to retain the investment until recovery of its amortized cost basis. If such an assertion had not been made, the security’s decline in fair value would be deemed to be other than temporary and the entire difference between fair value and amortized cost would be recognized in investment income, net.

For mortgage-backed and asset-backed securities, the difference between the projected future cash flows expected to be collected and the amortized cost basis is recognized as non-interest related other than temporary impairment (OTTI) in investment income, net. The Company uses its best estimate of the present value of cash flows expected to be collected from the security to determine the amount of non-interest loss. If fair value is less than the projected future cash flows expected to be collected, the interest related OTTI is recorded in capital and surplus.

When determining the collectability and the period over which the mortgage-backed and asset-backed securities are expected to recover, additional considerations are made when assessing the unique features that apply to certain structured securities such as residential mortgage-backed, commercial mortgage-backed and asset-backed securities. These additional features include, but are not limited to: the quality of underlying collateral; expected prepayment speeds; current and forecasted loss severity; consideration of payment terms of underlying assets backing a particular security; and the payment priority within the tranche structure of the security.

Based on its evaluation, the Company has determined that there is no OTTI for bonds and stocks for the years ended December 31, 2018 and 2017.

Cash, Cash Equivalents and Short-Term Investments

Cash and cash equivalents consist of cash balances, short-term, highly liquid investments with original maturities of three months or less and money market mutual funds. Short-term investments are investments with remaining maturities of one year or less at the time of acquisition. Cash equivalents with original maturities of three months or less and short-term investments are principally stated at amortized cost. Money market mutual funds are carried at fair value. In accordance with the Company's cash management policy of maximizing the amount of funds invested in income-earning assets, the Company routinely anticipates the timing and amount of future cash flow. This policy frequently results in the existence of negative cash balances for financial statement purposes.

Bonds

Bonds consist primarily of U.S. Treasury and other U.S. government agencies securities, state and municipal securities, foreign government securities (U.S. dollar-denominated), corporate bonds, mortgage-backed securities and asset-backed securities.

Bonds not backed by other loans are carried at amortized cost, except in cases where NAIC designation requires them to be carried at the lower of cost or fair value. Fair values for bonds are based on quoted market prices and other observable inputs for the same or similar investments (refer to Note 20). Changes in admitted asset carrying amounts of bonds, aside from OTTI, are charged directly to capital and surplus.

Mortgage-backed securities that are included within bonds are valued at amortized cost using the interest method including anticipated prepayments except in cases where NAIC guidance requires them to be carried at the lower of cost or fair value. Prepayment assumptions are obtained from external sources and are based on the current interest rate and economic environment. The prospective adjustment method is used to value all such securities (refer to Note 20).

Stocks

Investments in unaffiliated common stock, primarily in publicly traded index funds, are carried at fair value. The fair values for common stocks are based on quoted market prices (refer to Note 20). Changes in admitted asset carrying amounts of stocks, aside from OTTI, are charged directly to capital and surplus.

Stocks also include the Company's investments in wholly-owned subsidiaries. The Company's insurance subsidiary is carried at its underlying audited statutory equity. The Company's non-insurance subsidiary is reported at its underlying GAAP equity when an admissible audit is available. Changes in unrealized gains and losses are charged directly to capital and surplus.

Redeemable preferred stocks are carried at cost, except in cases where NAIC designation requires them to be carried at lower of cost or fair value. Perpetual preferred stocks are valued using unit prices as reported in NAIC Valuations of Securities Manual except in cases where NAIC designation requires them to be carried at lower of cost or fair value (refer to Note 20).

Investment Dispositions

A primary objective in the management of the bond and stock portfolios is to maximize total return relative to underlying liabilities and respective liquidity needs. In achieving this goal, assets may be sold to take advantage of market conditions or other investment opportunities as well as tax considerations. Sales will generally produce realized gains and losses. In the ordinary course of business, the Company may sell securities for a number of reasons, including, but not limited to: (i) changes to the investment environment; (ii) expectation that the fair value could deteriorate further; (iii) desire to reduce exposure to an issuer or an industry; (iv) changes in credit quality; and (v) changes in expected cash flow. For purpose of computing realized gains and losses, the specific-identification method was used.

Mortgage Loans on Real Estate

The Company holds no mortgage loans on real estate.

(7) – (8)

Other Invested Assets

Other invested assets include investments in unaffiliated surplus notes (2017 only) that are carried at amortized cost, except in cases where NAIC designation requires them to be carried at the lower of cost or fair value. Other invested assets also include loans issued to CareFirst of Maryland, Inc. (CFMI) and Group Hospitalization and Medical Services, Inc. (GHMSI) (2018 only) (refer to Note 10).

The Company has no investment interests with respect to unaffiliated joint ventures, partnerships, or limited liability companies.

NOTES TO FINANCIAL STATEMENTS

(9)

The Company holds no derivatives.

(10)

Premium Deficiency Reserve

Premium deficiency reserve represents the Company's estimate of the amount that the expected incurred claims, claims adjustment expenses and certain general administrative costs exceed the expected premiums earned for the remainder of the contract period of the Company's in-force policies. For purposes of calculating the premium deficiency reserve, contracts are deemed to be short duration and are grouped in a manner consistent with the Company's method of marketing, servicing and measuring the profitability of such contracts. Indirect expenses can be allocated across market segments to minimize losses. The Company does not consider anticipated investment income when calculating the reserve. Once established, the premium deficiency reserve is released commensurate with actual claims experience over the remainder of the contract period. The most recent evaluation date of this reserve is at December 31, 2018. The premium deficiency reserve is recorded as an offset to premiums earned and is included in the aggregate health policy reserves. The Company did not record a premium deficiency reserve as of December 31, 2018 and 2017.

(11)

Unpaid Losses and Loss Adjustment Expenses

The Company pays fees based upon negotiated contractual fee schedules to medical providers that provide physician and hospital services. The Company also negotiates contractual agreements with certain physicians and medical management groups to provide health care and ancillary services to its members. In addition, the Company has a contractual agreement with a pharmacy benefit management company to provide pharmacy benefits to its members. Cost of care is recognized in the period in which members receive medical services. In addition to actual benefits paid, cost of care includes the impact of accruals for estimates of reported and unreported claims, which are unpaid as of the balance sheet dates.

The liability for medical claims payable is computed in accordance with generally accepted actuarial practices and is based upon past claims payment experience, together with other current factors which, in management's judgment, require recognition in the calculation. The Company develops its estimates for care services incurred but not reported using an actuarial process that is consistently applied.

The actuarial model considers factors such as time from the dates of service to claims receipt, claims backlogs, seasonal variances in medical care consumption, provider rate changes, medical care utilization, medical cost trends, membership volume and demographics. Depending on the health care provider and type of service, the typical billing lag for services can vary significantly. Substantially all claims are known and settled within twelve months from the date of service.

The Company regularly re-examines its previously established unpaid claims estimates based on actual claim submissions and other changes in facts and circumstances. Due to the uncertainties inherent in the claims estimation process, it is at least reasonably possible that the actual claims paid could differ materially from the amounts accrued in the accompanying balance sheets – statutory basis.

(12)

Property and Equipment Admitted

The Company holds no admitted property and equipment. There have not been any changes to the Company's capitalization policy or the related predefined thresholds from the prior period.

(13)

Health Care and Other Amounts Receivable

Health care and other amounts receivable consists of pharmacy rebates receivable, advances to providers, amounts due from the Office of Personnel Management (OPM) under the FEHBP contracts (refer to Summary of Significant Accounting Policies – Federal Employee Health Benefit Program).

The Company has an agreement with a pharmacy benefit management company to provide pharmacy rebate management services including pharmaceutical manufacturer contracting and rebate billing. The Company accounts for pharmacy rebates in accordance with SSAP No. 84, *Health Care and Government Insured Plan Receivables* (SSAP 84). Per SSAP 84, pharmacy rebates may consist of estimated amounts and billed amounts. Any estimated amounts shall relate to actual prescriptions filled during the three months immediately preceding the reporting date. Any billed amounts that have not been collected within 90 days of the invoice date shall be nonadmitted.

The Company has advances on deposit with certain regulated hospitals in the state of Maryland. These advances permit the Company to earn discounts of 2.25% and 2.00% of allowed inpatient and outpatient charges, respectively, by these hospitals. These provider advances are reported at their realizable value.

NOTES TO FINANCIAL STATEMENTS

In addition, the Company applies the following significant accounting policies:

Medical Loss Ratio Rebates

The Patient Protection and Affordable Care Act and a reconciliation measure, the Health Care and Education Reconciliation Act of 2010, which the Company refers to together as the Health Reform Legislation, established minimum medical loss ratio (MLR) regulations that require payment of premium rebates (MLR rebates) to employers and individuals covered under the Company's comprehensive medical insurance if certain minimum MLRs (85% for large group, 80% for small group and 80% for individual under 65) are not met. The MLR rebates are measured by jurisdiction at the market segment level (large group, small group and individual under 65). As of December 31, 2018 and 2017, the Company recorded an estimated MLR rebate accrual of $60,640,000 and $72,430,000, respectively, for its group business within the aggregate health policy reserves.

Risk Adjustment Program

The risk adjustment program is a permanent program that transfers funds from insurers who enroll individuals with lower relative health risk to insurers who enroll individuals with higher relative health risk. Risk adjustment payments/receipts are determined separately for each state and for individual and small group products. The risk adjustment receivable or payable, if any, would be included within accrued retrospective premiums or aggregate health policy reserves and recorded as an adjustment to premiums earned. The Company developed an estimate of amounts to be recorded under the risk adjustment program considering data that is currently available. This data included calculation of member risk scores for the Company, third party analysis of state average risk scores and other data relevant to the Company's markets. Beginning with the 2018 benefit year, risk adjustment methodology incorporates a high-cost risk pool calculation. The U.S. Department of Health and Human Services establishes two new high-cost risk pool parameters: a threshold and a coinsurance rate. For 2018, the high-cost risk pools for high-cost enrollees would fund 60% of the insurer's costs for individual enrollees with claims above $1,000,000. Issuer will be reimbursed for a portion of actual enrollee-level claims above the threshold. To maintain the zero-sum nature of risk adjustment across each market, insurer will be assessed for an amount which is calculated as a percentage of the insurer's total premiums in the applicable market. The sum of the assessments across all insurers equals the sum of the high-cost risk pool claims reimbursements across all insurers. The risk adjustment payments/receipts are reported net of the high-cost risk pool amounts. As of December 31, 2018 and 2017, the Company has a net payable of $9,494,000 and $22,774,000, respectively.

Health Insurer Fee

Health Reform Legislation imposes an annual health insurer fee (HIF) on health insurers that write certain types of risk health insurance products. The HIF is not deductible for income tax purposes. The Company estimated its liability for the HIF based on a ratio of the Company's applicable written premiums compared to the U.S. health insurance industry total applicable written premiums, both for the preceding calendar year. The Company recorded in full its estimated liability in general expenses due or accrued and general and administrative expense at the beginning of the year. The Company's 2018 HIF of $65,142,000 was paid in September 2018. The allocable portion of the HIF liability that was related to the premiums for insurance provided through the FEHBP is chargeable to FEHBP contracts. The reimbursable amount for FEHBP recognized for 2018 is $10,607,000. The HIF was suspended for 2017. Legislative action imposes a one year moratorium for 2019 on the collection of the HIF. As a result, the Company is not required to pay the HIF in 2019.

Revenue Recognition

Premiums are recognized as earned on a monthly basis for the period the health care coverage is in effect. Premiums received in advance represent prepayments of premiums for future health care coverage.

Uncollected premiums primarily represent unpaid amounts earned from insured groups and individuals. A provision is made for potential adjustments, which arise as a result of review by management.

The Company earns a performance incentive, or FEHBP service charge, which is an amount determined and paid annually by OPM based on the performance of the Company. The amounts in the accompanying statements of operations represent the Company's best estimate.

Federal Employee Health Benefits Program

The Company has an experience-rated health maintenance organization (HMO) contract with OPM to provide managed health care services under FEHBP. The excess of gross premiums for the life of the program over the charges for the life of the program is considered the special reserve under the contract between OPM and the Company. Each year, OPM also allocates additional funds to a contingency reserve, which may be utilized by the Company in the event that funds set aside from annual premiums are insufficient or fall below certain prescribed levels by OPM. Funds available to the Company are held at the U.S. Treasury, including amounts unused from prior periods. Any funds which remain unused upon termination of the contract, after the claims run-out and reimbursement of allowable administrative expenses, would be returned to OPM for the benefit of FEHBP. The OPM contract renews automatically each year unless written notice of termination is given by either party.

The amounts being held in the special reserve are $42,337,000 and $48,242,000 as of December 31, 2018 and 2017, respectively. The amounts being held in the contingency reserve are $77,666,000 and $55,772,000 as of December 31, 2018 and 2017, respectively. Amounts incurred in excess of the total reserves held at the U.S Treasury for FEHBP would not be reimbursed to the Company.

NOTES TO FINANCIAL STATEMENTS

The Company has recorded the amount of the special reserve being held by OPM as an asset, with an equivalent amount recorded as a rate stabilization reserve. These amounts are included in health care and other amounts receivable and aggregate health policy reserves, respectively.

FEHBP revenue earned was $429,595,000 and $405,989,000 for the years ended December 31, 2018 and 2017, respectively.

Risk Concentrations

Financial instruments that potentially subject the Company to credit risk consist primarily of investment securities and receivables. The Company receives advice through or assigns direct management of investments to professional investment managers selected for their expertise in various markets, within guidelines established by the Board of Directors. These guidelines include broad diversification of investments. Aside from the Federal Employee Health Benefits Program (FEHBP) discussed below, concentrations of credit risk and business volume with respect to commercial receivables are generally limited due to the large number of employer groups comprising the Company's customer base. As of December 31, 2018 and 2017, except for FEHBP, there were no significant concentrations of financial instruments in a single investee, industry or geographic location.

D. Going Concern

The Company's management has determined that there is no substantial doubt about its ability to continue as a going concern.

(1) – (4) Not applicable.

2. Accounting Changes and Corrections of Errors

Not applicable.

3. Business Combinations and Goodwill

A. Statutory Purchase Method

Not applicable.

B. Statutory Merger

Not applicable.

C. Assumption Reinsurance

Not applicable.

D. Impairment Loss

Not applicable.

4. Discontinued Operations

Not applicable.

5. Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

None.

B. Debt Restructuring

None.

C. Reverse Mortgages

None.

D. Loan-Backed Securities

(1) The Company records its investment in loan-backed securities using the prospective adjustment method. Prepayment assumptions for single and multi-class mortgage-backed/other asset-backed securities are obtained from broker survey values. The Company uses IDC to determine the fair value for such securities.

(2) The Company does not have any mortgage-backed/other asset-backed securities which are other-than-temporarily impaired where the Company intends to sell, or does not have the intent and ability to hold until recovery.

(3) For the year ended December 31, 2018, the Company did not recognize OTTI in mortgage-backed/other asset-backed securities that the Company has the intent to hold, but does not expect to recover the entire amortized cost basis of the securities. At December 31, 2018, the Company did not hold any mortgage-backed or other asset-backed securities where the present value of cash flows expected to be collected is less than the amortized cost basis.

NOTES TO FINANCIAL STATEMENTS

(4) The following table shows the gross unrealized losses and fair value of the Company's mortgage-backed/other asset-backed securities with unrealized losses that are not deemed to be other than temporarily impaired, aggregated by investment category and by length of time that individual securities have been in a continuous unrealized loss position (*in thousands*).

	Fair Value < 1 Year	Unrealized Losses < 1 Year	Fair Value > 1 Year	Unrealized Losses > 1 Year	Total Unrealized Losses
December 31, 2018					
Government sponsored enterprise mortgage-backed securities	**$ 23,301**	**$ 142**	**$ 64,700**	**$ 2,259**	**$ 2,401**
Other mortgage-backed and asset-backed securities	**12,783**	**61**	**9,583**	**205**	**266**
Total	**$ 36,084**	**$ 203**	**$ 74,283**	**$ 2,464**	**$ 2,667**

	Fair Value < 1 Year	Unrealized Losses < 1 Year	Fair Value > 1 Year	Unrealized Losses > 1 Year	Total Unrealized Losses
December 31, 2017					
Government sponsored enterprise mortgage-backed securities	$ 58,792	$ 576	$ 79,563	$ 1,849	$ 2,425
Other mortgage-backed and asset-backed securities	13,295	81	1,486	42	123
Total	$ 72,087	$ 657	$ 81,049	$ 1,891	$ 2,548

(5) See Note 1 *Accounting Policy – Investments*

E. Dollar Repurchase Agreements and/or Securities Lending Transactions

None.

F. Repurchase Agreements Transactions Accounted for as Secured Borrowing

None.

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing

None.

H. Repurchase Agreements Transactions Accounted for as a Sale

None.

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale

None.

J. Real Estate

None.

K. Low-Income Housing Tax Credits (LIHTC)

None.

L. Restricted Assets

(1) Restricted Assets (Including Pledged) (*in thousands*)

Restricted Asset Category	Total Gross (Admitted and Nonadmitted) Restricted from Current Year	Total Gross (Admitted and Nonadmitted) Restricted from Prior Year	Increase/ (Decrease)	Total Current Year Nonadmitted Restricted	Total Current Year Admitted Restricted	Percentage Gross (Admitted and Nonadmitted) Restricted to Total Assets	Percentage Admitted Restricted to Total Admitted Assets
a. Subject to contractual obligation for which liability is not shown	$ -	$ -	$ -	$ -	$ -	- %	- %
b. Collateral held under security lending agreements	-	-	-	-	-	-	-
c. Subject to repurchase agreements	-	-	-	-	-	-	-
d. Subject to reverse repurchase agreements	-	-	-	-	-	-	-
e. Subject to dollar repurchase agreements	-	-	-	-	-	-	-
f. Subject to dollar reverse repurchase agreements	-	-	-	-	-	-	-
g. Placed under option contracts	-	-	-	-	-	-	-
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	-	-	-	-	-	-	-
i. FHLB capital stock	-	-	-	-	-	-	-
j. On deposit with states	1,198	1,098	100	-	1,198	< 1	< 1
k. On deposit with other regulatory bodies	-	-	-	-	-	-	-
l. Pledged collateral to FHLB (including assets backing funding agreements)	-	-	-	-	-	-	-
m. Pledged as collateral not captured in other categories	-	-	-	-	-	-	-
n. Other restricted assets	3	175	(172)	-	3	< 1	< 1
o. Total Restricted Assets	$ 1,201	$ 1,273	$ (72)	$ -	$ 1,201	< 1 %	< 1 %

(2) Detail of Assets Pledged as Collateral Not Captured in Other Categories

Not applicable.

(3) Detail of Other Restricted Assets (*in thousands*)

Description of Assets	Total Gross (Admitted and Nonadmitted) Restricted from Current Year	Total Gross (Admitted and Nonadmitted) Restricted from Prior Year	Increase/ (Decrease)	Total Current Year Admitted Restricted	Percentage Gross (Admitted and Nonadmitted) Restricted to Total Assets	Percentage Admitted Restricted to Total Admitted Assets
Deposit for certain downstream risk providers in accordance with MD Health General Section 19-713.2(d).	$ 3	$ 175	$ (172)	$ 3	< 1 %	< 1 %
Total	$ 3	$ 175	$ (172)	$ 3	< 1 %	< 1 %

(4) Collateral Received and Reflected as Assets Within the Reporting Entity's Financial Statements

Not applicable.

M. Working Capital Finance Investments

None.

N. Offsetting and Netting Assets and Liabilities

None.

O. Structured Notes

None.

P. 5GI* Securities

None.

Q. Short Sales

None.

NOTES TO FINANCIAL STATEMENTS

R. Prepayment Penalty and Acceleration Fees

	General Account
(1) Number of CUSIPs	10
(2) Aggregate Amount of Investment Income (*in thousands*)	$ 77

6. Joint Ventures, Partnerships and Limited Liability Companies

A. – B. None.

7. Investment Income

A. Investment income due and accrued is excluded from surplus when amounts are over 90 days past due or collection is uncertain.

B. No amount of investment income due and accrued was non-admitted and excluded from surplus as of December 31, 2018 and 2017.

8. Derivative Instruments

None.

9. Income Taxes

A. Deferred Tax Asset/Liability

(1) The following table shows the components of the net deferred tax asset and deferred tax liability recognized in the Company's financial statements by tax character (*in thousands*):

	December 31, 2018			December 31, 2017			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	$ 14,479	$ 4,897	$ 19,376	$ 9,757	$ -	$ 9,757	$ 4,722	$ 4,897	$ 9,619
Statutory valuation allowance adjustment	-	-	-	-	-	-	-	-	-
Adjusted gross deferred tax assets	14,479	4,897	19,376	9,757	-	9,757	4,722	4,897	9,619
Deferred tax assets nonadmitted	4,506	4,897	9,403	482	-	482	4,024	4,897	8,921
Subtotal net admitted deferred tax asset	9,973	-	9,973	9,275	-	9,275	698	-	698
Deferred tax liabilities	16	-	16	6	1,822	1,828	10	(1,822)	(1,812)
Net admitted deferred tax asset/(liability)	$ 9,957	$ -	$ 9,957	$ 9,269	$ (1,822)	$ 7,447	$ 688	$ 1,822	$ 2,510

(2) – (3) The amount of admitted adjusted gross deferred tax assets are as follows *(in thousands)*:

	December 31, 2018			December 31, 2017			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 9,957	$ -	$ 9,957	$ 2,345	$ -	$ 2,345	$ 7,612	$ -	$ 7,612
b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from a, above) after application of the threshold limitation. (lesser of b.i. and b.ii. below)	-	-	-	6,924	-	6,924	(6,924)	-	(6,924)
i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	-	-	-	6,924	-	6,924	(6,924)	-	(6,924)
ii. Adjusted gross deferred tax assets allowed per limitation threshold	NA	NA	106,665	NA	NA	99,775	NA	NA	6,890
c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a. and b. above) offset by gross deferred tax liabilities.	16	-	16	6	-	6	10	-	10
d. Deferred tax asset admitted as the result of application of SSAP No. 101 total (a.+b.+c.)	$ 9,973	$ -	$ 9,973	$ 9,275	$ -	$ 9,275	$ 698	$ -	$ 698

	2018	2017
Ratio percentage used to determine recovery period and threshold limitation amount	626%	713%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation	$ 711,098	$ 665,167

(4) The impact of tax planning strategies on adjusted gross DTA's and net admitted DTA's is as follows (*in thousands*):

	12/31/2018			12/31/2017			Change		
	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent	Ordinary Percent	Capital Percent	Total Percent
Adjusted gross DTAs	$ 14,479	$ 4,897	$ 19,376	$ 9,757	$ -	$ 9,757	$ 4,722	$ 4,897	$ 9,619
Percentage of adjusted gross DTAs	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net admitted adjusted gross DTAs	$ 9,973	$ -	$ 9,973	$ 9,275	$ -	$ 9,275	$ 698	$ -	$ 698
Percentage of net admitted adjusted gross DTAs	0%	0%	0%	0%	0%	0%	0%	0%	0%

The Company's tax-planning strategy does not include the use of reinsurance.

B. Unrecognized Deferred Tax Liabilities

(1) – (4) At December 31, 2018 and 2017, the Company had no unrecognized deferred tax liabilities.

NOTES TO FINANCIAL STATEMENTS

C. Significant Components of Income Taxes

(1) The provision (benefit) for income taxes on earnings for the years ended December 31, 2018 and December 31, 2017 are as follows (*in thousands*):

Current Income Tax:	**Dec. 31, 2018**	**Dec. 31, 2017**
Federal provision (benefit)	$ 42,945	$ (21,298)
Foreign	-	-
Subtotal	42,945	(21,298)
Federal income tax on net capital gains (losses)	(793)	6,168
Utilization of capital loss carry-forwards	-	-
Other	-	-
Federal and foreign income taxes incurred (benefit)	$ 42,152	$ (15,130)

(2) – (4) The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows (*in thousands*):

Deferred Tax Assets:	**Dec. 31, 2018**	**Dec. 31, 2017**	**Change**
Ordinary			
Discounting of unpaid losses	$ 646	$ 296	$ 350
Unearned premium reserve	2,679	3,264	(585)
Policyholder reserves	-	-	-
Investments	-	-	-
Deferred acquisition costs	-	-	-
Policyholder dividends accrual	-	-	-
Fixed assets	-	-	-
Compensation and benefits accrual	-	-	-
Pension accrual	-	-	-
Receivables - nonadmitted	-	-	-
Net operating loss carry-forward	-	-	-
Tax credit carry-forward	-	-	-
Other	11,154	6,197	4,957
Subtotal	14,479	9,757	4,722
Statutory valuation allowance adjustment	-	-	-
Nonadmitted	4,506	482	4,024
Admitted ordinary deferred tax assets	9,973	9,275	698
Capital			
Investments	4,897	-	4,897
Net capital loss carry-forward	-	-	-
Real estate	-	-	-
Other	-	-	-
Subtotal	4,897	-	4,897
Statutory valuation allowance adjustment	-	-	-
Nonadmitted	4,897	-	4,897
Admitted capital deferred tax assets	-	-	-
Admitted deferred tax assets	9,973	9,275	698
Deferred Tax Liabilities:			
Ordinary			
Investments	-	-	-
Fixed assets	-	-	-
Deferred and uncollected premium	-	-	-
Policyholder reserves	-	-	-
Other	16	6	10
Subtotal	16	6	10
Capital			
Investments	-	1,822	(1,822)
Real estate	-	-	-
Other	-	-	-
Subtotal	-	1,822	(1,822)
Deferred tax liabilitites	16	1,828	(1,812)
Net deferred tax assets	$ 9,957	$ 7,447	$ 2,510

Deferred tax assets are reflected as admitted assets, subject to certain limitations. The components of the net deferred tax asset recognized in the Company's balance sheets – statutory basis are as follows (*in thousands*):

	Dec. 31, 2018	Dec. 31, 2017	Change
Adjusted gross deferred tax assets	$ 19,376	$ 9,757	$ 9,619
Total deferred tax liabilities	16	1,828	(1,812)
Net deferred tax assets	$ 19,360	$ 7,929	$ 11,431
Tax effect of unrealized gains (losses)			(4,449)
Change in net deferred income tax			$ 6,982

D. Reconciliation of Federal Income Tax Rate to Effective Rate

The reconciliation of the federal income tax rate to the actual effective rate is as follows (*in thousands*):

	Dec. 31, 2018	Effective Tax Rate
Provision (benefit) computed at statutory rate	$ 22,275	21.00%
Permanent book to tax and other reserve adjustment	12,893	12.16%
Change in contingency reserves	(670)	-0.63%
Change in federal tax rates	-	0.00%
Nonadmitted assets and other	672	0.63%
Total	$ 35,170	33.16%
Federal income taxes incurred (benefit)	$ 42,152	39.74%
Change in net deferred income taxes	(6,982)	-6.58%
Total statutory income taxes	$ 35,170	33.16%

E. – F.

The Company is part of a federal tax sharing agreement that exists among CFBC (and its related subsidiaries). Through this agreement and the tax allocation methodology, federal taxes have been allocated to the Company. The tax sharing agreement calls for allocation of current federal income tax liability to the Company on the basis of the percentage of the consolidated federal income tax liability attributable to the Company computed on a separate company basis to the total consolidated federal income tax liability. The agreement also provides that to the extent the Company's subsidiaries tax attributes (e.g., NOLs) reduce the consolidated federal income tax liability, CFBC shall pay the subsidiaries for use of such attributes in the year utilized. Amounts due from the subsidiaries for federal income taxes are settled quarterly.

Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

On December 22, 2017, the legislation known as Tax Cuts and Jobs Act (the Tax Act) was signed into law. The legislation made significant changes to U.S. tax law. Under Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, the effect of changes in tax rates and laws are recognized in the period in which the new legislation is enacted. In the case of U.S. federal income taxes, the enactment date is the date the bill becomes law (i.e. upon presidential signature).

The most significant changes that affected the Company became effective January 1, 2018: (1) permanently reducing the U.S. corporate income tax rate from a maximum of 35% to a flat 21% rate; (2) eliminating the corporate alternative minimum tax; and (3) changing how existing Alternative Minimum Tax (AMT) credits will be realized. With the repeal of AMT, the Tax Act permits any AMT credit carryovers to offset tax liability beginning in 2018 and refunding up to 50% of the remainder (100% in 2021). The Company had no AMT credits in 2018 and 2017.

On December 22, 2017, the Securities and Exchange Commission (SEC) staff issued Staff Accounting Bulletin (SAB) 118 to address the application of U.S. Generally Accepted Accounting Principles (GAAP) in situations when a company does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. The Financial Accounting Standards Board allowed private companies to follow SAB 118 under U.S. GAAP even though they are not regulated by the SEC. On March 24, 2018, Statutory Accounting Principles Working Group adopted INT 18-01, which considers the impact of the Tax Act on SSAP No. 101. Interpretation of INT 18-01 would not require an adjustment to the audited financial statements for changes in tax estimates related to the Tax Act for items that are updated after the filing of the blank. In light of the complexities of tax reform and the absence of specific guidance for private companies, the Company determined that it would apply the guidance in SAB 118 as of December 31, 2018 and for the year ended December 31, 2017.

SAB 118 allowed a company to determine a reasonable estimate to be included as provisional amounts and provides a measurement period by which the accounting must be completed. The measurement period ended when the company has obtained, prepared and analyzed the information that was needed in order to complete the accounting requirements under ASC Topic 740 but under no circumstances is the measurement period to extend beyond one year from the enactment date (i.e. December 22, 2018).

The Company is subject to examination by the Internal Revenue Service and state taxing authorities. In general, the Company's tax years 2015 and forward remain open under the statutes of limitation and subject to examination.

The Company is exempt from all state income taxes in the jurisdictions for which it is registered to do business.

The Company has not made any deposits under Internal Revenue Code Section 6603 of which it reasonably expects to recover in a subsequent period.

G. Tax Contingencies

Not applicable.

10. Information Concerning Parent, Subsidiaries, Affiliates, and other Related Parties

A. – O. Material Related Party Transactions

CareFirst BlueChoice, Inc. (CFBC or the Company) is an HMO that provides managed health care products and services to individuals and to employees of businesses and governmental agencies in the Washington, D.C. metropolitan area, Northern Virginia and the state of Maryland. Benefits are provided to members through fee-for-service and capitation agreements with local area physicians, hospitals and other health care providers. CFBC has two wholly-owned subsidiaries; The Dental Network, Inc. (TDN) and CapitalCare, Inc. (CapCare). TDN is a licensed dental service corporation that provides dental health coverage to its subscribers through a network of dentists in the state of Maryland. Effective December 13, 2011, CapCare withdrew its HMO license and became a non-insurance entity, which is currently inactive and valued at zero. The Company has obtained an exemption from the DISB waiving the Sub 1 and Sub 2 form filing requirement for CapCare.

CFBC and its subsidiaries are wholly-owned subsidiaries of CFH. CFH, a Maryland limited liability company, was formed on December 31, 2010 by contributed assets from CFMI and GHMSI. CFMI and GHMSI are both affiliates of CareFirst, Inc. (CFI). These affiliates do business as CareFirst BlueCross BlueShield.

On November 29, 2018, CFBC entered into five-year term loan agreements with CFMI and GHMSI to increase the liquidity of CFMI and GHMSI and to facilitate a transfer of additional funds from CFMI and GHMSI to CFH. In accordance with the loan agreements, CFBC provided $150,000,000 each to CFMI and GHMSI on identical terms. The loan amount is subject to interest, which is accrued and paid quarterly at the mid-term applicable federal rate set by the Internal Revenue Service. In connection with the loan transactions, CFMI and GHMSI each transferred $25,000,000 of the loan proceeds to CFH as capital contributions on December 6, 2018, for a total amount of $50,000,000. CFH in turn provided an additional paid in capital contribution of $15,000,000 to its insurance subsidiary, First Care, Inc. CFH also increased an existing line of credit with its subsidiary, CareCo, LLC, by $15,000,000 to $22,500,000.

The Company has an operating relationship with CFMI and GHMSI, whereby CFMI and GHMSI provide a substantial portion of its administrative and corporate services for which expenses are allocated to the Company under an administrative agreement. Total charges for services provided by CFMI and GHMSI were $379,810,000 and $369,284,000 for the years ended December 31, 2018 and 2017, respectively. Included in the amounts above is rent expense, which is allocated from its affiliates for all operating leases, which totaled $14,561,000 and $14,293,000 for the years ended December 31, 2018 and 2017, respectively. These allocations are included in general and administrative expenses.

CFI performed a review and analysis of certain intercompany transactions with CFBC. The analysis identified services provided by CFMI and GHMSI that should include a profit mark-up on the costs charged to CFBC. Total charges to CFBC for the profit mark-up by CFMI and GHMSI were $43,159,000 and $41,100,000 for the years ended December 31, 2018 and 2017, respectively. These charges are recorded as an increase to general and administrative expenses.

The Company has arrangements with brokers through GHMSI. Under these arrangements GHMSI pays broker commissions and incentives and allocates a portion of these amounts to the Company based upon relevant statistics. Total broker fees allocated to the Company were $142,212,000 and $139,814,000 for the years ended December 31, 2018 and 2017, respectively.

The Company bears all of the in-network (HMO) underwriting risk and CFMI and GHMSI bear the out-of-network (indemnity) underwriting risk for certain fully insured point-of-service (POS) health care products. Cost of care for these products is charged directly to the Company, CFMI and GHMSI based upon the nature of the claims incurred. Premiums on these health care products were allocated between the Company, CFMI and GHMSI based on actual underwriting results such that the underwriting gain of the health care products, as a percentage of premiums earned, is shared equally between the Company and the respective indemnity insurer. Total premiums allocated from the Company for these products were $29,985,000 for the year ended December 31, 2017. In 2018, the Company has an agreement with CFMI and GHMSI in which the Company pays a two dollars per member per month fee to CFMI and GHMSI for providing the out-of-network (indemnity) benefits for its POS products. The fee is based on actual membership and paid in exchange for the Company's POS products gaining access to CFMI's and GHMSI's regional provider network and claims processing for the out-of-network services. All premiums, cost of care and operating expenses of the Company's POS products are recorded directly on the Company. Total fees paid from the Company to CFMI and GHMSI were $2,570,000 for the year ended December 31, 2018.

CFBC blends the annual rate increases between its HMO products and CFMI's and GHMSI's preferred provider organization (PPO) products for certain large group accounts such that each product receives the same rate increase. The cost of care for these products is charged directly to CFBC and CFMI/GHMSI based upon the entity which insured the underlying products. CFBC has an agreement with CFMI and GHMSI in which premiums on these products are allocated between CFBC and CFMI/GHMSI based on actual loss ratio results such that the loss ratio of these products is shared equally between CFBC and the respective insurer of the PPO products. Total premiums allocated from CFBC for these products were $14,917,000 and $25,782,000 for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018, the Company reported $93,269,000 and $3,152,000 as amounts due from and due to affiliates, respectively. These amounts are settled monthly.

11. Debt

A. – B. None.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Post-retirement Benefit Plans

A. – D. Defined Benefit Plan & Information about Plan Assets

Not applicable.

E. Defined Contribution Plans

Not applicable.

F. Multiemployer Plans

Not applicable.

G. Consolidated/Holding Company Plans

Not applicable.

H. Postemployment Benefits and Compensated Absences

Not applicable.

I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)

(1) – (3) Not applicable.

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

(1) The Company has 25,000 shares of common stocks authorized; 10,000 shares are issued and outstanding.

(2) The Company has no preferred stock authorized, issued or outstanding.

(3) – (8) Not applicable.

(9) The Company is subject to the HIF imposed by Health Reform Legislation. In accordance with SSAP No. 106 *Affordable Care Act Section 9010 Assessment* (SSAP 106) the Company’s estimated HIF payable in the following year is required to be reclassified from unassigned surplus to special surplus. The Company’s balance of special surplus funds represents the amount reclassified for the period. As a result of the 2019 HIF moratorium, there is no amount reclassified to special surplus in 2018.

(10) The portion of unassigned funds (surplus) represented by cumulative net unrealized losses is $6,914,000.

(11) – (13) Not applicable.

14. Liabilities, Contingencies and Assessments

A. Contingent Commitment

None.

B. Assessments

(1) In the jurisdictions in which the Company is licensed to conduct business, guaranty associations have been created for the purpose, among others, of protecting insured parties under health insurance policies when a health insurer becomes impaired, insolvent, or fails. The Company is contingently liable for assessments in any calendar year, in order to provide any required funds to carry out the power and duties of the associations. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the line of business in which the impaired, insolvent or failed insurer is engaged. Some states permit member insurers to recover assessments through full or partial premium tax offsets.

(2) – (3) Not applicable.

C. Gain Contingencies

None.

D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits

None.

E. Joint and Several Liabilities

None.

F. All Other Contingencies

CFMI and GHMSI entered into an intercompany agreement that requires CFMI or GHMSI, or their respective affiliates, to provide the financial resources necessary to satisfy the respective statutory or regulatory reserve requirement, subject to specific limitations, if either CFMI or GHMSI or their respective affiliates fail to meet or maintain their respective statutory or regulatory reserve requirement as required by law, or if such transfer of financial resources is needed to satisfy any other legally enforceable obligation.

CFI has a commitment for a credit facility with a commercial bank under which certain of its affiliates, including the Company, may borrow up to a maximum amount of $60,000,000. There have been no draws made on this line of credit during 2018 or 2017.

The Company, along with the BCBSA and all of the other BCBSA licensees, has been named as a defendant in multiple suits that make up the Blue Cross Blue Shield Antitrust Litigation. This matter is part of a multi-district litigation combining several anti-trust cases that challenge the exclusive service areas outlined in the BCBSA license agreements. The Company has been cooperating in the joint defense with the BCBSA. In April 2018, the U.S. District Court issued an order clarifying how certain legal standards will be applied to the case. The U.S. Circuit Court of Appeal for the Eleventh Circuit denied the Blues Plans' request for an interlocutory appeal of the order. The matter is proceeding in the trial court. The Company has retained its own independent counsel to defend these cases; however, it is unable to predict the outcome of the matter or to reasonably estimate a range of possible loss.

Various lawsuits, including class action lawsuits and other claims, occur in the normal course of business and are pending against the Company. The Company records reserves for such matters when a loss is deemed to be probable and estimable. Management, after consultation with legal counsel, is of the opinion that the lawsuits and other claims, when resolved, will not have a material adverse effect on the accompanying statutory-basis financial statements; however, there can be no assurance in this regard.

15. Leases

A. – B. Not applicable.

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

Not applicable.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfers of Receivables Reported as Sales

Not applicable.

B. Transfer and Servicing of Financial Assets

Not applicable.

C. Wash Sales

None.

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A. ASO Plans

Not applicable.

B. ASC Plans

Not applicable.

C. Medicare or Similarly Structured Cost Based Reimbursement Contract

Not applicable.

NOTES TO FINANCIAL STATEMENTS

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not applicable.

20. Fair Value Measurements

A. Fair Value Measurement Valuation Techniques and Inputs

Included in various investment-related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds and preferred stocks, when carried at the lower of cost or market. Statutory accounting guidance defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value. The fair value hierarchy is as follows:

- Level 1 – Quoted (unadjusted) prices for identical assets or liabilities in active markets.
- Level 2 – Other observable inputs, either directly or indirectly.
- Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset. Management is responsible for the determination of fair value, and performs monthly analyses on the prices received from third parties to determine whether the prices appear to be reasonable estimates of fair value.

There were no transfers between levels during the years ended December 31, 2018 and 2017.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Bonds. The fair value of U.S. Treasury securities is determined by an active price for an identical security in an observable market and is therefore classified as Level 1. Other U.S. government agencies securities, state and municipal securities, foreign government securities, corporate bonds, mortgage-backed securities and other asset-backed securities that are priced by independent pricing services using observable inputs are classified as Level 2. Observable inputs used for other U.S. government agencies securities include quoted prices for like or similar assets, benchmark yields, reported trades and credit spreads. Observable inputs used for state and municipal securities, foreign government securities and corporate bonds include quoted prices for identical or similar assets that are traded in an active market, benchmark yields, new issuances, issuer ratings, reported trades of comparable securities and credit spreads. The fair value of mortgage-backed securities and other asset-backed securities is determined by a cash flow model which utilizes observable inputs such as quoted prices for identical or similar assets, benchmark yields, prepayment speeds, collateral performance, credit spreads and default rates at commonly quoted intervals.

Stocks. Fair values of publicly-traded index funds where market quotes are available and are actively traded are classified as Level 1. Fair values of publicly-traded index funds where market quotes are available but are not considered actively traded are classified as Level 2.

NOTES TO FINANCIAL STATEMENTS

(1) Fair Value Measurements at Reporting Date

The following tables present information about the fair value of the Company's financial instruments measured and reported at fair value (*in thousands*):

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value as of December 31, 2018
Assets				
Common stocks				
Large capital equity index fund	**$ 27,268**	**$ –**	**$ –**	**$ 27,268**
Small capital equity index fund	**25,207**	**–**	**–**	**25,207**
International equity index fund	**24,688**	**–**	**–**	**24,688**
Publicly-traded fixed income index fund [(a)]	**–**	**26,155**	**–**	**26,155**
Total common stocks	**77,163**	**26,155**	**–**	**103,318**
Total assets measured and reported at fair value	**$ 77,163**	**$ 26,155**	**$ –**	**$ 103,318**

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value as of December 31, 2017
Assets				
Common stocks				
Large capital equity index funds	$ 20,326	$ 30,602	$ –	$ 50,928
Small capital equity index funds	9,744	8,489	–	18,233
International equity index funds	9,899	13,214	–	23,113
Publicly-traded fixed income index fund [(a)]	–	35,748	–	35,748
Total common stocks	39,969	88,053	–	128,022
Total assets measured and reported at fair value	$ 39,969	$ 88,053	$ –	$ 128,022

(a) Represent investments in U.S. Treasury inflation-protected securities.

(2) Fair Value Measurements in Level 3 of the Fair Value Hierarchy

Not applicable.

(3) Level 3 Transfers

Not applicable.

(4) Level 2 and 3 Valuation Techniques and Inputs

See Note 20A *Fair Value Measurement Valuation Techniques and Inputs* for Level 2 Valuation Techniques and Inputs.

(5) Derivatives

Not applicable.

B. Other Fair Value Disclosures

None.

C. Aggregate Fair Value of Financial Instruments

The following tables present information about the aggregate fair value of the Company's financial instruments (*in thousands*):

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Aggregate Fair Value as of December 31, 2018	Admitted Assets as of December 31, 2018
Bonds	**$ 73,073**	**$ 318,687**	**$ –**	**$ 391,760**	**$ 398,828**
Common stocks	**77,163**	**26,155**	**–**	**103,318**	**103,318**
Total	**$ 150,236**	**$ 344,842**	**$ –**	**$ 495,078**	**$ 502,146**

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Aggregate Fair Value as of December 31, 2017	Admitted Assets as of December 31, 2017
Bonds	$ 95,500	$ 513,043	$ –	$ 608,543	$ 599,115
Common stocks	39,969	88,053	–	128,022	128,022
Total	$ 135,469	$ 601,096	$ –	$ 736,565	$ 727,137

D. Not Practicable to Estimate Fair Value

As of December 31, 2018 and 2017, the Company has no financial instruments for which it is not practicable to estimate fair value.

E. Investments measured using the net asset value practical expedient

None.

21. Other Items

A. Unusual or Infrequent Items

Not applicable.

B. Troubled Debt Restructuring: Debtors

Not applicable.

C. Other Disclosures

Not applicable.

D. Business Interruption Insurance Recoveries

Not applicable.

E. State Transferable and Non-transferable Tax Credits

Not applicable.

F. Subprime-Mortgage-Related Risk Exposure

(1) The Company categorizes mortgage securities with an average FICO score of less than 675 (credit score) as a subprime mortgage security. The Company has no subprime mortgage securities as of December 31, 2018.

(2) The Company does not engage in mortgage lending and therefore has no direct exposure through investments in subprime mortgage loans.

(3) The Company has no exposure in subprime mortgage lending through its fixed maturity and equity investments.

G. Retained Assets

Not applicable.

H. Insurance-Linked Securities (ILS) Contracts

Not applicable.

22. Events Subsequent

There have been no events occurring subsequent to the close of the books or accounts for this statement that would have a material effect on the financial condition of the Company.

23. Reinsurance

A. Ceded Reinsurance Report

The Company maintains a reinsurance agreement with CFMI and GHMSI providing stop-loss coverage. This coverage does not have an expiration date.

The Company also maintains a quota-share reinsurance agreement with TDN. Under the terms of the agreement, the Company assumes all the underwriting risk on the business written by TDN. The Company assumed revenue from TDN in the amount of $3,689,000 and $4,005,000 and incurred an underwriting loss in the amount of $3,473,000 and $3,034,000 for the years ended December 31, 2018 and 2017, respectively.

B. Uncollectible Reinsurance

Not applicable.

C. Commutation of Ceded Reinsurance

Not applicable.

D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation

Not applicable.

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. – C. Not applicable.

D. See Note 1 *Accounting Policy – Medical Loss Ratio Rebates.*

Medical loss ratio rebates required pursuant to the Public Health Service Act are as follows (*in thousands*):

	Individual	Small Group Employer	Large Group Employer	Other Categories with Rebates	Total
Prior Reporting Year					
(1) Medical loss ratio rebates incurred	$ –	$ 43,855	$ 28,583	$ –	$ 72,438
(2) Medical loss ratio rebates paid	–	31,615	12,523	–	44,138
(3) Medical loss ratio rebates unpaid	–	43,090	29,340	–	72,430
(4) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	–
(5) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	–
(6) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	$ 72,430
Current Reporting Year-to-Date					
(7) Medical loss ratio rebates incurred	$ –	$ 25,653	$ 27,204	$ –	$ 52,857
(8) Medical loss ratio rebates paid	–	39,803	24,844	–	64,647
(9) Medical loss ratio rebates unpaid	–	28,940	31,700	–	60,640
(10) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	–
(11) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	–
(12) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	$ 60,640

E. Risk-Sharing Provisions of the Affordable Care Act

(1) Did the reporting entity write accident and health insurance premium that is subject to the Affordable Care Act (ACA) risk-sharing provisions?

Yes.

(2) Impact of Risk-Sharing Provisions of the ACA on Admitted Assets, Liabilities and Revenue (*in thousands*):

		December 31, 2018	December 31, 2017
a.	Permanent ACA Risk Adjustment Program		
	Assets		
	1. Premium adjustments receivable due to ACA Risk Adjustment (including high risk pool payments)	**$ 31,356**	$ 9,100
	Liabilities		
	2. Risk adjustment user fees payable for ACA Risk Adjustment	**593**	588
	3. Premium adjustments payable due to ACA Risk Adjustment (including high risk pool premium)	**40,850**	33,600
	Operations (Revenue & Expense)		
	4. Reported as revenue in premium for accident and health contracts written due to ACA Risk Adjustment	**(3,970)**	(20,711)
	5. Reported in expenses as ACA risk adjustment user fees incurred	**595**	610
b.	Transitional ACA Reinsurance Program		
	Assets		
	1. Amounts recoverable for claims paid due to ACA Reinsurance	**$ 204**	$ 5,808
	2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)	**–**	–
	3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance	**–**	–
	Liabilities		
	4. Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium	**–**	–
	5. Ceded reinsurance premiums payable due to ACA Reinsurance	**–**	–
	6. Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance	**–**	–
	Operations (Revenue & Expense)		
	7. Ceded reinsurance premiums due to ACA Reinsurance	**–**	–
	8. Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments	**–**	(1,551)
	9. ACA Reinsurance contributions – not reported as ceded premium	**–**	–
c.	Temporary ACA Risk Corridors Program		
	Assets		
	1. Accrued retrospective premium due from ACA Risk Corridors	**$ –**	$ 162
	Liabilities		
	2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors	**–**	–
	Operations (Revenue & Expense)		
	3. Effect of ACA Risk Corridors on net premium income	**–**	–
	4. Effect of ACA Risk Corridors on change in reserves for rate credits	**(1)**	(187)

NOTES TO FINANCIAL STATEMENTS

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balance *(in thousands)*:

	Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Differences		Adjustments			Unsettled Balances as of the Reporting Date	
					Prior Year Accrued Less Payments (Col 1 - 3)	Prior Year Accrued Less Payments (Col 2 - 4)	To Prior Year Balances	To Prior Year Balances		Cumulative Balance from Prior Years (Col 1 – 3 +7)	Cumulative Balance from Prior Years (Col 2 – 4 +8)
	1	2	3	4	5	6	7	8		9	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable	(Payable)
a. Permanent ACA Risk Adjustment Program											
1. Premium adjustments receivable (including high risk pool payments)	$ 9,100	$ -	$ 11,364	$ -	$ (2,264)	$ -	$ 2,660	$ -	A	$ 396	$ -
2. Premium adjustments (payable) (including high risk pool premium)	-	33,600	-	30,340	-	3,260	-	(3,260)	B	-	-
3. Subtotal ACA Permanent Risk Adjustment Program	9,100	33,600	11,364	30,340	(2,264)	3,260	2,660	(3,260)		396	-
b. Transitional ACA Reinsurance Program											
1. Amounts recoverable for claims paid	5,808	-	5,888	-	(80)	-	284	-	C	204	-
2. Amounts recoverable for claims unpaid (contra liability)	-	-	-	-	-	-	-	-	D	-	-
3. Amounts receivable relating to uninsured plans	-	-	-	-	-	-	-	-	E	-	-
4. Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium	-	-	-	-	-	-	-	-	F	-	-
5. Ceded reinsurance premiums payable	-	-	-	-	-	-	-	-	G	-	-
6. Liability for amounts held under uninsured plans	-	-	-	-	-	-	-	-	H	-	-
7. Subtotal ACA Transitional Reinsurance Program	5,808	-	5,888	-	(80)	-	284	-		204	-
c. Temporary ACA Risk Corridors Program											
1. Accrued retrospective premium	162	-	163	-	(1)	-	1	-	I	-	-
2. Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	J	-	-
3. Subtotal ACA Risk Corridors Program	162	-	163	-	(1)	-	1	-		-	-
d. Total for ACA Risk Sharing Provisions	$ 15,070	$ 33,600	$ 17,415	$ 30,340	$ (2,345)	$ 3,260	$ 2,945	$ (3,260)		$ 600	$ -

Explanations of Adjustments:

A. True-up to reflect the 2017 actual based upon the risk adjustment results published by HHS.

B. True-up of year-end estimate.

C. True-up to reflect the 2016 actual based upon reinsurance payments from HHS.

D. Not applicable.

E. Not applicable.

F. Not applicable.

G. Not applicable.

H. Not applicable.

I. True-up of year-end estimate.

J. Not applicable.

NOTES TO FINANCIAL STATEMENTS

(4) Roll-forward of Risk Corridors Asset and Liability Balances by Program Benefit Year (*in thousands*):

		Accrued as of December 31 of the prior reporting year		Received or Paid as of the Current Period on Business Written For the Risk Corridors Program		Differences		Adjustments			Unsettled Balances as of the	
						Accrued Less Payments (Col 1 - 3)	Accrued Less Payments (Col 2 - 4)	Balances	Balances		Cumulative Balance (Col 1 – 3 +7)	Cumulative Balance (Col 2 – 4 +8)
		1	2	3	4	5	6	7	8		9	10
	Risk Corridors Program Year:	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable	(Payable)
a. 2014	Accrued Retrospective premium	$ 162	$ -	$ 163	$ -	$ (1)	$ -	$ 1	$ -	A	$ -	$ -
	Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	B	-	-
b. 2015	Accrued Retrospective premium	-	-	-	-	-	-	-	-	C	-	-
	Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	D	-	-
c. 2016	Accrued Retrospective premium	-	-	-	-	-	-	-	-	E	-	-
	Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-	F	-	-
d.	Total for Risk Corridors	$ 162	$ -	$ 163	$ -	$ (1)	$ -	$ 1	$ -		$ -	$ -

Explanations of Adjustments:

A. True-up of year-end estimate.

B. Not applicable.

C. Not applicable.

D. Not applicable.

E. Not applicable.

F. Not applicable.

24E(4)d (Columns 1 through 10) should equal 24E(3)c3 (Column 1 through 10, respectively)

(5) ACA Risk Corridors Receivable as of Reporting Date *(in thousands)*:

	1	2	3	4 = 1 - 2 - 3	5	6 = 4 - 5
Risk Corridors Program Year:	Estimated Amount to be Filed or Final Amount Filed with CMS	Non-Accrued Amounts for Impairment or Other Reasons	Amounts received from CMS	Asset Balance (Gross of Non-admissions)	Non-admitted Amount	Net Admitted Asset
2014	$ 18,648	$ 15,524	$ 3,124	$ -	$ -	$ -
2015	24,218	24,218	-	-	-	-
2016	49,934	49,934	-	-	-	-
Total	$ 92,800	$ 89,676	$ 3,124	$ -	$ -	$ -

24E(5) total (Column 4) should equal 24E(3)c1 (Column 9)
24E(5) total (Column 6) should equal 24E(2)c1

25. Change in Incurred Claims and Claim Adjustment Expenses

As of December 31, 2018, $159,942,000 has been paid for incurred claims attributable to insured events for prior years. Reserves remaining for prior years are now $871,000 as a result of re-estimation of unpaid claims and unpaid claims adjustment expenses. Therefore, there has been a $19,540,000 favorable prior year development since December 31, 2017 to December 31, 2018, which includes a $408,000 unfavorable development in the Federal Employee Health Benefits Program line of business. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

26. Intercompany Pooling Arrangements

A. – G. Not applicable.

27. Structured Settlements

Not applicable.

28. Health Care Receivables

A. Pharmacy Rebates receivable are based on pharmacy utilization during the quarter as well as past experience of rebates received.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoiced/ Confirmed	Actual Rebates Collected Within 90 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected Within 91 to 180 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected More Than 180 Days After Invoicing/ Contractual Due Date
12/31/2018	$ 41,970,605	$ 41,970,605	$ -	$ -	$ -
09/30/2018	40,944,659	40,944,659	-	-	-
06/30/2018	41,908,507	41,908,507	41,908,507	-	-
03/31/2018	40,412,460	40,412,460	40,412,460	-	-
12/31/2017	$ 38,888,665	$ 38,888,665	$ 37,733,651	$ -	$ 1,155,013
09/30/2017	37,986,249	37,986,249	37,158,320	-	827,930
06/30/2017	35,590,293	35,590,293	35,384,678	-	205,615
03/31/2017	32,354,969	32,354,969	32,253,853	-	101,116
12/31/2016	$ 28,050,491	$ 28,050,491	$ 28,112,637	$ -	$ (62,146)
09/30/2016	28,819,844	28,819,844	28,724,472	-	95,372
06/30/2016	29,594,514	29,594,514	28,762,253	11	832,250
03/31/2016	27,238,522	27,238,522	26,689,468	-	549,054

B. Risk Sharing Receivables

Not applicable.

29. Participating Policies

Not applicable.

30. Premium Deficiency Reserve

See Note 1 *Accounting Policy – Premium Deficiency Reserve*.

1. Liability carried for premium deficiency reserves: $0
2. Date of the most recent evaluation of this liability: December 31, 2018
3. Was anticipated investment income utilized in the calculation? No

31. Anticipated Salvage and Subrogation

The following discloses the anticipated subrogation used in computing the Company's unpaid claims liability (*in thousands*):

Year	
2018	$ 4,776
2017	$ 4,915

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES
GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]
If yes, complete Schedule Y, Parts 1, 1A and 2

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]

1.3 State Regulating? District of Columbia

1.4 Is the reporting entity publicly traded or a member of a publicly traded group? Yes [ ] No [X]

1.5 If the response to 1.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group.

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2018

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2013

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/29/2015

3.4 By what department or departments?
District of Columbia Department of Insurance, Securities and Banking

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [ ] No [ ] N/A [X]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [ ] No [ ] N/A [X]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.11 sales of new business? Yes [ ] No [X]
4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
4.21 sales of new business? Yes [ ] No [X]
4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]
If yes, complete and file the merger history data file with the NAIC.

5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]

6.2 If yes, give full information:

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,
7.21 State the percentage of foreign control; 0.0 %
7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, LLP
621 East Pratt Street
Baltimore, Maryland 21202

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [X]

10.2 If the response to 10.1 is yes, provide information related to this exemption:

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]

10.4 If the response to 10.3 is yes, provide information related to this exemption:

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [ ] N/A [ ]

10.6 If the response to 10.5 is no or n/a, please explain

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
David Markowitz, FSA, MAAA, Actuary
10455 Mill Run Circle
Owings Mills, Maryland 21117

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]

12.11 Name of real estate holding company

12.12 Number of parcels involved 0

12.13 Total book/adjusted carrying value $ 0

12.2 If, yes provide explanation:

13. **FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
(c) Compliance with applicable governmental laws, rules and regulations;
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
(e) Accountability for adherence to the code.

14.11 If the response to 14.1 is No, please explain:

14.2 Has the code of ethics for senior managers been amended? Yes [X] No [ ]

14.21 If the response to 14.2 is yes, provide information related to amendment(s).
The code was amended in 2017 with an effective date of January 1, 2018, to reflect best practices and new policies as part of a periodic update.

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [X] No [ ]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).
Please see the attached Resolution of the Audit & Compliance Committees of the Boards of Directors which was adopted in accordance with the "Approval, Amendments and Waivers" section of the CareFirst Code of Ethical Business Conduct and Compliance.

GENERAL INTERROGATORIES

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No [ ]

17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No [ ]

18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? Yes [X] No [ ]

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers $ 0
- 20.12 To stockholders not officers $ 0
- 20.13 Trustees, supreme or grand (Fraternal Only) $ 0

20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers $ 0
- 20.22 To stockholders not officers $ 0
- 20.23 Trustees, supreme or grand (Fraternal Only) $ 0

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others $ 0
- 21.22 Borrowed from others $ 0
- 21.23 Leased from others $ 0
- 21.24 Other $ 0

22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]

22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment $ 0
- 22.22 Amount paid as expenses $ 0
- 22.23 Other amounts paid $ 0

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 0

INVESTMENT

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03) Yes [X] No [ ]

24.02 If no, give full and complete information relating thereto

24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)

24.04 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [ ] No [ ] N/A [X]

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. $ 0

24.06 If answer to 24.04 is no, report amount of collateral for other programs. $ 0

24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [ ] No [ ] N/A [X]

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [ ] No [ ] N/A [X]

24.09 Does the reporting entity or the reporting entity 's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending? Yes [ ] No [ ] N/A [X]

GENERAL INTERROGATORIES

24.10 For the reporting entity's security lending program state the amount of the following as December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2. $ 0
24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 $ 0
24.103 Total payable for securities lending reported on the liability page. $ 0

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes [X] No [ ]

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21 Subject to repurchase agreements $ 0
25.22 Subject to reverse repurchase agreements $ 0
25.23 Subject to dollar repurchase agreements $ 0
25.24 Subject to reverse dollar repurchase agreements $ 0
25.25 Placed under option agreements $ 0
25.26 Letter stock or securities restricted as to sale - excluding FHLB Capital Stock $ 0
25.27 FHLB Capital Stock $ 0
25.28 On deposit with states $ 1,197,602
25.29 On deposit with other regulatory bodies $ 0
25.30 Pledged as collateral - excluding collateral pledged to an FHLB $ 0
25.31 Pledged as collateral to FHLB - including assets backing funding agreements $ 0
25.32 Other $ 2,899

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]
If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]

27.2 If yes, state the amount thereof at December 31 of the current year. $ 0

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
SunTrust Bank	1445 New York Ave., Washington DC 20005
Bank of New York Mellon	1 Wall St., New York, NY 10286

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [ ] No [X]
28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

GENERAL INTERROGATORIES

28.05 Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["…that have access to the investment accounts"; "…handle securities"]

1 Name of Firm or Individual	2 Affiliation
Vanguard	U
Dodge & Cox	U
T. Rowe Price	U
CareFirst (internally managed)	I

28.0597 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") manage more than 10% of the reporting entity's assets? Yes [ ] No [X]

28.0598 For firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes [ ] No [X]

28.06 For those firms or individuals listed in the table for 28.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
15958	Vanguard	54930002789CX3L0CJP65	SEC	NO
104596	Dodge & Cox	549300SV2HIB7EJR0U84	SEC	NO
105496	T. Rowe Price	7HTL8AEQSEDX602FBU63	SEC	NO

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes [X] No [ ]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
922908-36-3	Vanguard S&P 500 ETF	27,268,106
922908-65-2	Vanguard Extended Market ETF	25,206,616
921943-85-8	Vanguard FTSE Developed Market ETF	24,688,121
29.2999 - Total		77,162,843

29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
Vanguard S&P 500 ETF	Microsoft Corp.	1,008,920	12/31/2018
Vanguard S&P 500 ETF	Apple Inc.	927,116	12/31/2018
Vanguard S&P 500 ETF	Alphabet Inc.	818,043	12/31/2018
Vanguard S&P 500 ETF	Amazon.com Inc.	790,775	12/31/2018
Vanguard S&P 500 ETF	Berkshire Hathaway Inc.	518,094	12/31/2018
Vanguard Extended Market ETF	Tesla Inc.	277,273	12/31/2018
Vanguard Extended Market ETF	ServiceNow Inc.	201,653	12/31/2018
Vanguard Extended Market ETF	Workday Inc.	126,033	12/31/2018
Vanguard Extended Market ETF	Worldpay Inc.	126,033	12/31/2018
Vanguard Extended Market ETF	T-Mobile US Inc.	126,033	12/31/2018
Vanguard FTSE Developed Market ETF	Royal Dutch Shell plc	370,322	12/31/2018
Vanguard FTSE Developed Market ETF	Nestle SA-Reg	370,322	12/31/2018
Vanguard FTSE Developed Market ETF	Samsung Electron	271,569	12/31/2018
Vanguard FTSE Developed Market ETF	Novartis AG-Reg	271,569	12/31/2018
Vanguard FTSE Developed Market ETF	Roche Holding - Genus	271,569	12/31/2018

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	430,939,634	423,877,247	(7,062,387)
30.2 Preferred stocks	0	0	0
30.3 Totals	430,939,634	423,877,247	(7,062,387)

30.4 Describe the sources or methods utilized in determining the fair values:
Custodian Bank

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [X] No [ ]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No [ ]

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed? Yes [X] No [ ]

32.2 If no, list exceptions:

GENERAL INTERROGATORIES

33. By self-designating 5GI securities, the reporting entity is certifying the following elements of each self-designated 5GI security:
    a. Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or PL security is not available.
    b. Issuer or obligor is current on all contracted interest and principal payments.
    c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.
    Has the reporting entity self-designated 5GI securities? Yes [ ] No [X]

34. By self-designating PLGI securities, the reporting entity is certifying the following elements of each self-designated PLGI security:
    a. The security was purchased prior to January 1, 2018.
    b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.
    c. The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as a NRSRO which is shown on a current private letter rating held by the insurer and available for examination by state insurance regulators.
    d. The reporting entity is not permitted to share this credit rating of the PL security with the SVO.
    Has the reporting entity self-designated PLGI securities? Yes [ ] No [X]

OTHER

35.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $ 2,288,582

35.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
BlueCross BlueShield Association	1,915,837

36.1 Amount of payments for legal expenses, if any? $ 0

36.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid

37.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 0

37.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

Resolution for
CareFirst, Inc.
CareFirst of Maryland, Inc.
Group Hospitalization and Medical Services, Inc.
Audit and Compliance Committee
February 20, 2018

Waiver of the CareFirst Code of Conduct and Policy

RESOLVED, that following a review of the facts and further discussion, the CFI, CFMI and GHMSI Audit and Compliance Committees ("Committee") hereby approves management's recommendation for a waiver of the CareFirst Code of Conduct and applicable policy that prohibit the employment of a family member of a CareFirst executive, as outlined in the February 12, 2018 Memorandum (attached), presented by Mr. Cioni during the Executive Session of the February 20, 2018 Committee meeting.

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]

1.2 If yes, indicate premium earned on U.S. business only. $ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $ 0

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above $ 0

1.5 Indicate total incurred claims on all Medicare Supplement Insurance. $ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $ 0

1.62 Total incurred claims $ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned $ 0

1.65 Total incurred claims $ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned $ 0

1.72 Total incurred claims $ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned $ 0

1.75 Total incurred claims $ 0

1.76 Number of covered lives 0

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	3,664,646,716	3,338,835,931
2.2	Premium Denominator	3,664,646,716	3,338,835,931
2.3	Premium Ratio (2.1/2.2)	1.000	1.000
2.4	Reserve Numerator	328,737,255	334,626,165
2.5	Reserve Denominator	328,737,255	334,626,165
2.6	Reserve Ratio (2.4/2.5)	1.000	1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [ ] No [X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No [ ]

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [ ] No [ ]

5.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No [ ]

5.2 If no, explain:
Aggregate level only (see attached footnote for more information).

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical $ 0

5.32 Medical Only $ 0

5.33 Medicare Supplement $ 0

5.34 Dental & Vision $ 0

5.35 Other Limited Benefit Plan $ 0

5.36 Other $ 0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
Intercompany Support Agreement from Carefirst of Maryland, Inc. and Group Hospitalization and Medical Services, Inc.

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes [X] No [ ]

7.2 If no, give details

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year 47,725

8.2 Number of providers at end of reporting year 48,386

9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [X] No [ ]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months $ 9,807,963

9.22 Business with rate guarantees over 36 months $ 0

GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes [ ] No [X]

10.2 If yes:

10.21 Maximum amount payable bonuses $ 0
10.22 Amount actually paid for year bonuses $ 0
10.23 Maximum amount payable withholds $ 0
10.24 Amount actually paid for year withholds $ 0

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [ ] No [X]
11.13 An Individual Practice Association (IPA), or, Yes [ ] No [X]
11.14 A Mixed Model (combination of above)? Yes [ ] No [X]

11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements? Yes [X] No [ ]
11.3 If yes, show the name of the state requiring such minimum capital and surplus. District of Columbia
11.4 If yes, show the amount required. $ 175,396,913
11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [ ] No [X]
11.6 If the amount is calculated, show the calculation
See attached footnote for detail information.

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
District of Columbia
State of Maryland
Virginia: the cities of Alexandria and Fairfax; the town of Vienna; Arlington County and the areas of Fairfax and Prince William Counties in Virginia lying East of Route 123

13.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date. $ 0

13.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]

13.4 If yes, please provide the balance of funds administered as of the reporting date. $ 0

14.1 Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers? Yes [ ] No [ ] N/A [X]
14.2 If the answer to 14.1 is yes, please provide the following:

1	2	3	4	Assets Supporting Reserve Credit		
Company Name	NAIC Company Code	Domiciliary Jurisdiction	Reserve Credit	5 Letters of Credit	6 Trust Agreements	7 Other

15. Provide the following for individual ordinary life insurance* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded):

15.1 Direct Premium Written $ 0
15.2 Total Incurred Claims $ 0
15.3 Number of Covered Lives 0

*Ordinary Life Insurance Includes
Term(whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without secondary gurarantee)
Universal Life (with or without secondary gurarantee)
Variable Universal Life (with or without secondary gurarantee)

16. Is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states? Yes [X] No [ ]

16.1 If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity? Yes [ ] No [ ]

General Interrogatories
Part 2 - Health Interrogatories

Question 5.2 Explanation for stop loss reinsurance

Under the current terms of the contract, BlueChoice will pay claims in excess of a 105% loss ratio through a self-administered Annual Experience Fund. The Annual Experience Fund is created from the reinsurance premiums, which are currently $25,000. If stop loss claims (i.e., claims over a loss ratio of 105%) are greater than the Annual Experience Fund, CFMI and GHMSI will be liable for the deficit. CFMI and GHMSI will share the liability for the deficit based upon their respective ownership percentage of BlueChoice at the beginning of the calendar year.

Question 10.1 Incentive pool, withheld or bonus arrangements

In 2018, certain primary care physicians, who participated with the Company's Total Care and Cost Improvement program, which includes the Patient-Centered Medical Home program that was authorized by the Maryland Health Care Commission, and who met the criteria of the Outcomes Incentive Awards, received reimbursement increases through their fee schedules. The Company did not record any medical incentive pool amount in relation to the reimbursement increases as the impact from the change in fee schedules will be reported as claims and included in the unpaid claims liability when future provider claims are incurred. Therefore, no separate amount is payable to the providers.

Question 11.6 Statutory Minimum Capital and Surplus Requirements

The Company is licensed to conduct business in the District of Columbia, state of Maryland and state of Virginia (northern Virginia).

<u>District of Columbia – State of Domicile</u>
D.C. Code § 31-3412 requires a health maintenance organization to maintain a minimum net worth equal to the greater of:

(A) $1,000,000;
(B) 2% of annual dues revenues as reported on the most recent annual financial statement filed with the Commissioner on the first $150,000,000 of dues and 1% of annual dues in excess of $150,000,000;
(C) An amount equal to the sum of 3 months uncovered health care expenditures as reported on the most recent financial statement filed with the Commissioner; or
(D) An amount equal to the sum of:
    (i) 8% of annual health care expenditures except those paid on a capitated basis or managed hospital payment basis as reported on the most recent financial statement filed with the Commissioner; and
    (ii) 4% of annual hospital expenditures paid on a managed hospital payment basis as reported on the most recent financial statement filed with the Commissioner.

<u>Results</u>
(A) $1,000,000
(B) $37,674,407
(C) $4,566,467
(D) $175,396,913

The Company maintains at least the minimum net worth of $175,396,913, as calculated above, which represents the greater amount required by statute.

<u>Maryland</u>
Md. Code Ann., Health-Gen. § 19-710 requires health maintenance organizations to maintain a surplus that exceeds the liabilities of the health maintenance organization in an amount at least equal to the greater of $750,000 or 5% of the subscription charges, not to exceed $3,000,000, earned during the

prior calendar year as recorded in the annual report filed with the Commissioner. The Company maintains at least the minimum surplus of $3,000,000, in accordance with the calculation below, which represents the maximum amount required by the statute.

Prior Year's Premium Written	$ 3,338,835,931
Less: FEHBP Premiums Written	$ 419,650,556
Prior Year's Risk Premiums Written	$ 2,919,185,375
Multiply by Applicable Rate for Maryland	5%
Minimum Statutory Reserve Requirement	$ 145,959,269

Virginia

Va. Code Ann. § 38.2-4302 requires health maintenance organizations to maintain a minimum net worth in an amount at least equal to the sum of uncovered expenses, but not less than $600,000, up to a maximum of $4,000,000; uncovered expenses shall be amounts determined from the most recently ended calendar quarter pursuant to regulations promulgated by the Commission.

Calculated Minimum Statutory Reserve Requirement as follows:

Year-to-date uncovered expenses:	
December 31, 2018	$18,265,866
Less: September 30, 2018	$13,348,051
Minimum Statutory Reserve Requirement	$ 4,917,815

The Company is required to maintain a minimum statutory reserve, as calculated above, up to $4,000,000.

FIVE-YEAR HISTORICAL DATA

		1 2018	2 2017	3 2016	4 2015	5 2014
	Balance Sheet (Pages 2 and 3)					
1.	Total admitted assets (Page 2, Line 28)	1,213,808,907	1,158,133,541	1,145,540,139	1,176,990,521	1,152,312,506
2.	Total liabilities (Page 3, Line 24)	492,753,729	485,519,906	448,017,123	435,885,883	395,262,177
3.	Statutory minimum capital and surplus requirement	175,396,913	167,775,114	152,275,487	140,336,550	128,444,997
4.	Total capital and surplus (Page 3, Line 33)	721,055,178	672,613,635	697,523,016	741,104,638	757,050,329
	Income Statement (Page 4)					
5.	Total revenues (Line 8)	3,620,481,865	3,248,537,769	3,102,939,382	2,986,513,391	2,700,754,036
6.	Total medical and hospital expenses (Line 18)	2,774,911,159	2,656,740,989	2,443,832,969	2,289,401,501	2,105,228,222
7.	Claims adjustment expenses (Line 20)	169,616,831	174,845,511	168,769,526	163,096,798	130,452,826
8.	Total administrative expenses (Line 21)	590,501,053	499,462,947	568,736,255	550,752,510	489,860,126
9.	Net underwriting gain (loss) (Line 24)	85,452,822	(82,511,678)	(78,399,368)	(16,737,418)	(24,787,138)
10.	Net investment gain (loss) (Line 27)	21,350,837	33,400,474	30,715,148	28,364,555	28,100,959
11.	Total other income (Lines 28 plus 29)	58,934	(8,222)	19,751	177,611	1,517,774
12.	Net income or (loss) (Line 32)	63,916,927	(27,820,788)	(46,101,706)	(9,917,801)	22,090,620
	Cash Flow (Page 6)					
13.	Net cash from operations (Line 11)	50,992,328	50,711,899	(70,009,037)	(35,908,966)	20,130,296
	Risk-Based Capital Analysis					
14.	Total adjusted capital	721,055,178	672,613,635	697,523,016	741,104,638	757,050,329
15.	Authorized control level risk-based capital	113,560,766	93,326,144	86,393,461	81,357,604	75,696,361
	Enrollment (Exhibit 1)					
16.	Total members at end of period (Column 5, Line 7)	630,238	656,648	669,238	691,194	662,036
17.	Total members months (Column 6, Line 7)	7,653,064	7,964,517	8,157,601	8,377,513	7,718,910
	Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18.	Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19.	Total hospital and medical plus other non-health (Lines 18 plus Line 19)	76.7	81.9	78.8	76.7	78.0
20.	Cost containment expenses	1.9	2.2	2.1	2.1	1.8
21.	Other claims adjustment expenses	2.8	3.2	3.3	3.4	3.0
22.	Total underwriting deductions (Line 23)	97.7	102.6	102.6	100.6	101.0
23.	Total underwriting gain (loss) (Line 24)	2.4	(2.5)	(2.5)	(0.6)	(0.9)
	Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24.	Total claims incurred for prior years (Line 13, Col. 5)	160,813,462	148,251,305	160,367,582	157,274,142	124,846,192
25.	Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	180,353,706	173,200,328	169,510,104	178,395,323	138,229,712
	Investments In Parent, Subsidiaries and Affiliates					
26.	Affiliated bonds (Sch. D Summary, Line 12, Col. 1)	0	0	0	0	0
27.	Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)	0	0	0	0	0
28.	Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)	480,897	478,930	538,983	563,724	549,876
29.	Affiliated short-term investments (subtotal included in Schedule DA Verification, Col. 5, Line 10)	0	0	0	0	0
30.	Affiliated mortgage loans on real estate	0	0	0	0	0
31.	All other affiliated	300,000,000	0	0	0	0
32.	Total of above Lines 26 to 31	300,480,897	478,930	538,983	563,724	549,876
33.	Total investment in parent included in Lines 26 to 31 above.	300,000,000	0	0	0	0

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [ ] No [ ]

If no, please explain:

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

	States, etc.		1 Active Status (a)	Direct Business Only 2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Plan Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/ Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts
1.	Alabama	AL	N	0	0	0	0	0	0	0	0
2.	Alaska	AK	N	0	0	0	0	0	0	0	0
3.	Arizona	AZ	N	0	0	0	0	0	0	0	0
4.	Arkansas	AR	N	0	0	0	0	0	0	0	0
5.	California	CA	N	0	0	0	0	0	0	0	0
6.	Colorado	CO	N	0	0	0	0	0	0	0	0
7.	Connecticut	CT	N	0	0	0	0	0	0	0	0
8.	Delaware	DE	N	0	0	0	0	0	0	0	0
9.	District of Columbia	DC	L	462,554,505	0	0	0	0	0	462,554,505	0
10.	Florida	FL	N	0	0	0	0	0	0	0	0
11.	Georgia	GA	N	0	0	0	0	0	0	0	0
12.	Hawaii	HI	N	0	0	0	0	0	0	0	0
13.	Idaho	ID	N	0	0	0	0	0	0	0	0
14.	Illinois	IL	N	0	0	0	0	0	0	0	0
15.	Indiana	IN	N	0	0	0	0	0	0	0	0
16.	Iowa	IA	N	0	0	0	0	0	0	0	0
17.	Kansas	KS	N	0	0	0	0	0	0	0	0
18.	Kentucky	KY	N	0	0	0	0	0	0	0	0
19.	Louisiana	LA	N	0	0	0	0	0	0	0	0
20.	Maine	ME	N	0	0	0	0	0	0	0	0
21.	Maryland	MD	L	2,311,056,426	0	0	420,648,329	0	0	2,731,704,755	0
22.	Massachusetts	MA	N	0	0	0	0	0	0	0	0
23.	Michigan	MI	N	0	0	0	0	0	0	0	0
24.	Minnesota	MN	N	0	0	0	0	0	0	0	0
25.	Mississippi	MS	N	0	0	0	0	0	0	0	0
26.	Missouri	MO	N	0	0	0	0	0	0	0	0
27.	Montana	MT	N	0	0	0	0	0	0	0	0
28.	Nebraska	NE	N	0	0	0	0	0	0	0	0
29.	Nevada	NV	N	0	0	0	0	0	0	0	0
30.	New Hampshire	NH	N	0	0	0	0	0	0	0	0
31.	New Jersey	NJ	N	0	0	0	0	0	0	0	0
32.	New Mexico	NM	N	0	0	0	0	0	0	0	0
33.	New York	NY	N	0	0	0	0	0	0	0	0
34.	North Carolina	NC	N	0	0	0	0	0	0	0	0
35.	North Dakota	ND	N	0	0	0	0	0	0	0	0
36.	Ohio	OH	N	0	0	0	0	0	0	0	0
37.	Oklahoma	OK	N	0	0	0	0	0	0	0	0
38.	Oregon	OR	N	0	0	0	0	0	0	0	0
39.	Pennsylvania	PA	N	0	0	0	0	0	0	0	0
40.	Rhode Island	RI	N	0	0	0	0	0	0	0	0
41.	South Carolina	SC	N	0	0	0	0	0	0	0	0
42.	South Dakota	SD	N	0	0	0	0	0	0	0	0
43.	Tennessee	TN	N	0	0	0	0	0	0	0	0
44.	Texas	TX	N	0	0	0	0	0	0	0	0
45.	Utah	UT	N	0	0	0	0	0	0	0	0
46.	Vermont	VT	N	0	0	0	0	0	0	0	0
47.	Virginia	VA	L	466,723,703	0	0	0	0	0	466,723,703	0
48.	Washington	WA	N	0	0	0	0	0	0	0	0
49.	West Virginia	WV	N	0	0	0	0	0	0	0	0
50.	Wisconsin	WI	N	0	0	0	0	0	0	0	0
51.	Wyoming	WY	N	0	0	0	0	0	0	0	0
52.	American Samoa	AS	N	0	0	0	0	0	0	0	0
53.	Guam	GU	N	0	0	0	0	0	0	0	0
54.	Puerto Rico	PR	N	0	0	0	0	0	0	0	0
55.	U.S. Virgin Islands	VI	N	0	0	0	0	0	0	0	0
56.	Northern Mariana Islands	MP	N	0	0	0	0	0	0	0	0
57.	Canada	CAN	N	0	0	0	0	0	0	0	0
58.	Aggregate other alien	OT	XXX	0	0	0	0	0	0	0	0
59.	Subtotal		XXX	3,240,334,634	0	0	420,648,329	0	0	3,660,982,963	0
60.	Reporting entity contributions for Employee Benefit Plans		XXX	0	0	0	0	0	0	0	0
61.	Total (Direct Business)		XXX	3,240,334,634	0	0	420,648,329	0	0	3,660,982,963	0
	DETAILS OF WRITE-INS										
58001.			XXX								
58002.			XXX								
58003.			XXX								
58998.	Summary of remaining write-ins for Line 58 from overflow page		XXX	0	0	0	0	0	0	0	0
58999.	Totals (Lines 58001 through 58003 plus 58998)(Line 58 above)		XXX	0	0	0	0	0	0	0	0

(a) Active Status Counts:

L - Licensed or Chartered - Licensed insurance carrier or domiciled RRG 3

R - Registered - Non-domiciled RRGs 0

E - Eligible - Reporting entities eligible or approved to write surplus lines in the state 0

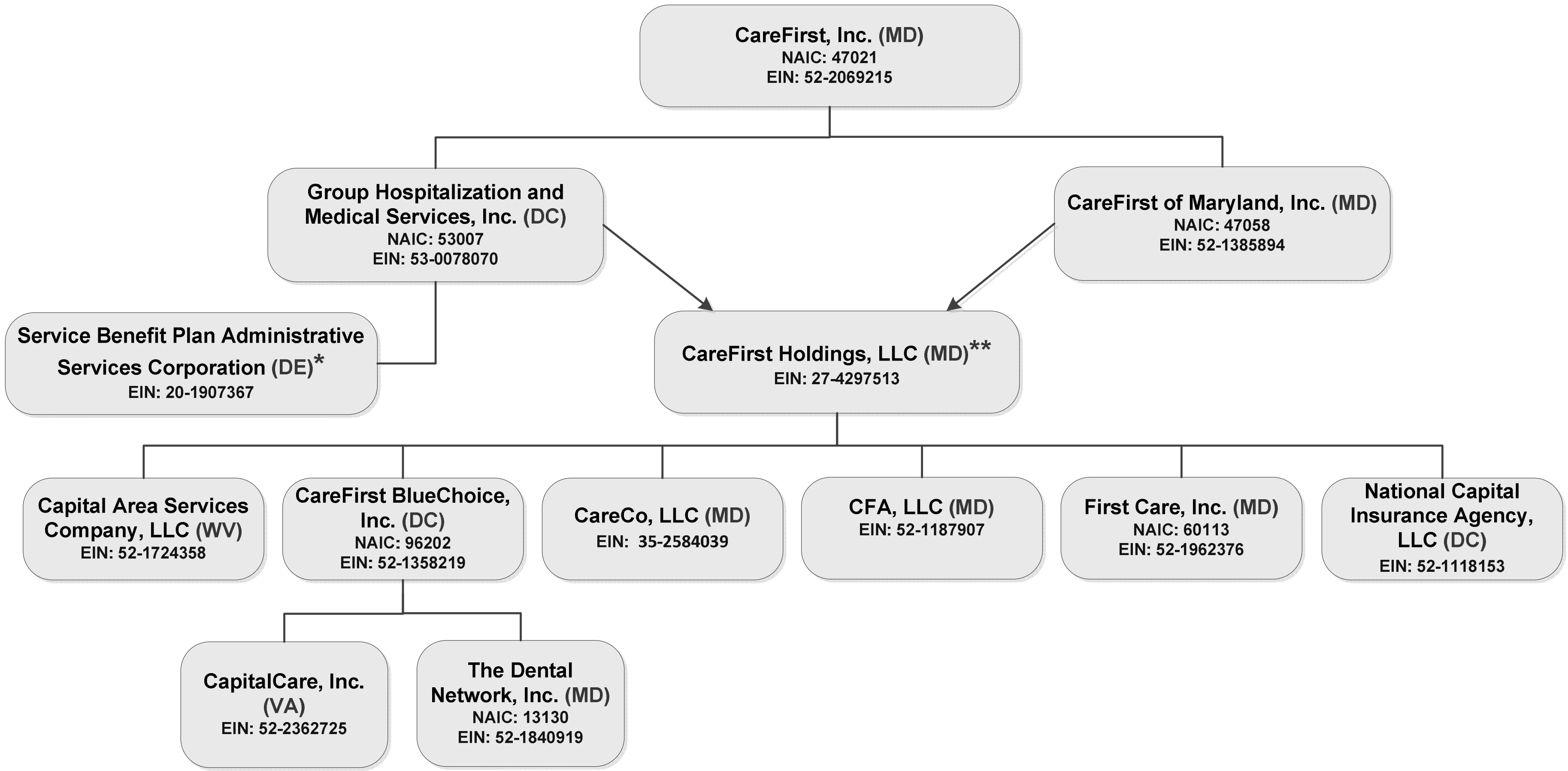
Q - Qualified - Qualified or accredited reinsurer 0

N - None of the above - Not allowed to write business in the state 54

(b) Explanation of basis of allocation by states, premiums by state, etc.

Enrollment and billing systems capture and report premiums by group situs.

SCHEDULE Y – INFORMATION CONCERNING ACTIVIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART



*__Service Benefit Plan Administrative Services Corporation__ is owned 90% by Group Hospitalization and Medical Services, Inc. and 10% by the Blue Cross and Blue Shield Association.

**__CareFirst Holdings, LLC__ is owned 50.001% by CareFirst of Maryland, Inc. and 49.999% by Group Hospitalization and Medical Services, Inc.

OVERFLOW PAGE FOR WRITE-INS

Additional Write-ins for Liabilities Line 23

	Current Year 1 Covered	2 Uncovered	3 Total	Prior Year 4 Total
2304. Tax Contingency Reserve	708,862	0	708,862	1,562,112
2305. Other Liabilities	5,459,593	0	5,459,593	2,204,225
2397. Summary of remaining write-ins for Line 23 from overflow page	6,168,455	0	6,168,455	3,766,337

Additional Write-ins for Underwriting and Investment Exhibit Part 3 Line 25

	Claim Adjustment Expenses 1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	3 General Administrative Expenses	4 Investment Expenses	5 Total
2504. Interest claims expense	0	1,202,561	0	0	1,202,561
2505. Miscellaneous Expense	(86,337)	196,285	3,979,603	0	4,089,551
2506. Management Transfer Pricing - CFMI	3,547,601	9,834,754	17,153,880	0	30,536,235
2507. Management Transfer Pricing GHMSI	1,414,635	4,158,996	7,048,699	0	12,622,330
2508. Managemnet Transfer Pricing - CASCI	10,485	38,303	112,427	0	161,215
2509. Reinsurance Assumed from TDN	8,327	718,532	2,233,644	0	2,960,503
2510.	0	0	0	0	0
2511.	0	0	0	0	0
2597. Summary of remaining write-ins for Line 25 from overflow page	4,894,711	16,149,431	30,528,253	0	51,572,395

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK

ANNUAL STATEMENT BLANK (Continued)